



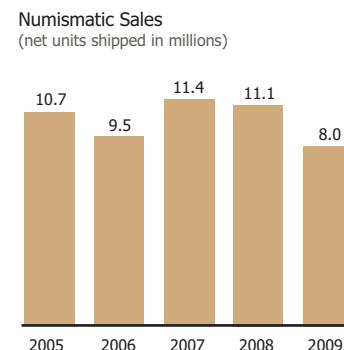
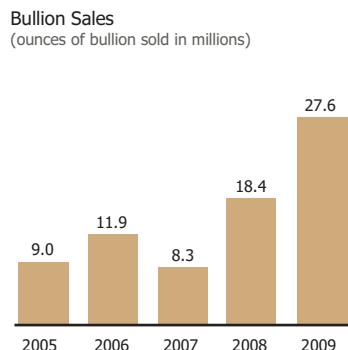
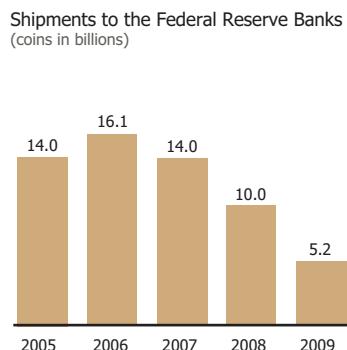
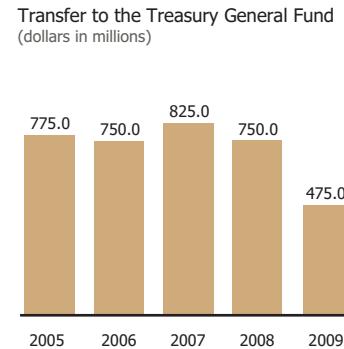
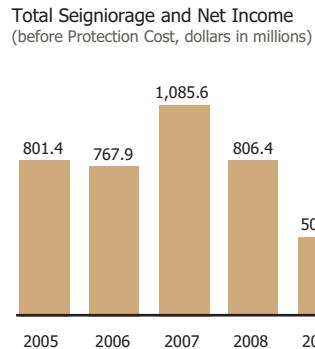
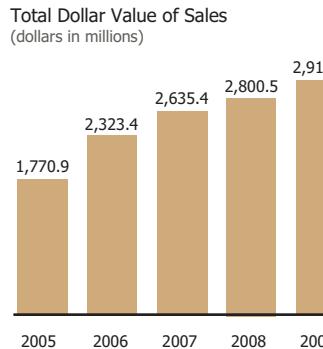
UNITED STATES MINT
2009 Annual Report



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Financial Highlights



(dollars in millions)	2009	2008	2007	2006	2005	% Change
						2008 to 2009
Value of United States Mint Sales						
Circulating	\$ 777.6	\$ 1,294.5	\$ 1,727.8	\$ 1,271.9	\$ 1,144.8	(39.9%)
Numismatic Sale of Circulating Coins	\$ 25.4	\$ 29.6	\$ 36.1	\$ 24.4	\$ 37.9	(14.2%)
Bullion Program	\$ 1,694.8	\$ 948.8	\$ 356.1	\$ 536.6	\$ 270.7	78.6%
Numismatic Program	\$ 414.6	\$ 527.6	\$ 515.4	\$ 490.5	\$ 317.5	(21.4%)
Gross Cost						
Circulating	\$ 349.8	\$ 588.3	\$ 722.6	\$ 603.4	\$ 445.4	(40.5%)
Numismatic Sale of Circulating Coins	\$ 6.1	\$ 7.1	\$ 9.0	\$ 10.5	\$ 14.6	(14.1%)
Bullion Program	\$ 1,662.1	\$ 931.0	\$ 351.6	\$ 524.4	\$ 265.2	78.5%
Numismatic Program	\$ 392.8	\$ 467.7	\$ 466.6	\$ 417.2	\$ 244.3	(16.0%)
Seigniorage ¹ and Program Net Income ²						
Circulating Seigniorage	\$ 427.8	\$ 706.2	\$ 1,005.2	\$ 668.5	\$ 699.4	(39.4%)
Numismatic Seigniorage	\$ 19.3	\$ 22.5	\$ 27.1	\$ 13.9	\$ 23.3	(14.2%)
Bullion Program Net Income	\$ 32.7	\$ 17.8	\$ 4.5	\$ 12.2	\$ 5.5	83.7%
Numismatic Program Net Income	\$ 21.8	\$ 59.9	\$ 48.8	\$ 73.3	\$ 73.2	(63.6%)

1 Seigniorage is the face value of circulating coins sold to the Federal Reserve Banks or the public less the total cost of production.

2 Net Income is the sales revenue of numismatic or bullion coin products less the total cost of production.



Edmund C. Moy
United States Mint Director

To the American People, Members of the United States Congress, the United States Department of Treasury, Our Customers, and Our Employees,

Coin talk is part of the American lexicon: A penny for your thoughts. Two sides of the same coin. Stop on a dime. Let me put my two cents in. Coin a phrase. Not worth a plugged nickel. A penny saved is a penny earned. Don't take any wooden nickels.

Why do Americans care so much about coins? I often ask myself this question as I meet excited children at a coin launch, talk with impassioned collectors who want to tell me how we are doing or watch a cashier carefully count out the change from my purchase at the convenience store. At the United States Mint, we believe the answer is that we are integral to the fabric of our Nation. Coins are part of the common language of America and lifeblood of commerce, connecting us all. Coins bridge generations and bring people together.

- To encourage an understanding of American history, geography and culture, a couple helps their three children search change and collect the 50 State Quarters®, then the District of Columbia and U.S. Territories Quarters. The whole family looks forward to the United States Mint America the Beautiful Quarters™ Program.
- To teach counting, an elementary teacher starts with pennies and then graduates to nickels, dimes and quarters to teach simple arithmetic.
- A blind child reads Braille on an American coin for the first time—the 2009 Louise Braille Bicentennial Silver Dollar.
- A collector who has always admired the golden age of coin-making and coveted the unobtainable 1907 Double Eagle, gets the opportunity to buy a 2009 Ultra High Relief Double Eagle Gold Coin, a dream come true.

Through these common and special moments in our lives, United States Mint coins connect us with the core values of America. From the great promise of the banner of liberty on the obverse to *e pluribus unum* on the reverse, a coin is a small piece of the ongoing American experience, linking us in an unbroken line to our country's—and the United States Mint's—origins in the Constitution.

When you hold a well-traveled or brightly gleaming United States Mint coin in your hand, you connect directly to the wellspring of our Nation's greatness, its future hope and all the stories—yours and mine included—that unite us.

Last year, we introduced a new annual report format that looked more like a publicly traded company's. Our goal was to be more transparent so that our stakeholders could hold us more accountable. Many of you liked the format, and this year we've tried to provide an even clearer view of our results for 2009. This year's report also features pictures of our employees, coins and medals and facilities.

The big story in Fiscal Year (FY) 2009 was the recession. The United States Mint is no stranger to recessions, as we've survived and thrived through 33 of them since 1854. But the severity and rapidity of this recession challenged us and affected all three lines of our coining operations.

CIRCULATING COINS Our circulating coin production was at a 45-year low with fewer cash transactions because of the slow economy and Americans cashing in coins they'd been saving. We were able to keep our seigniorage margins up through lower metal costs and improvements in the market share of \$1 coins among the denominations, but the total amount of seigniorage is the lowest we've seen in 12 years. The Federal Reserve Bank and the United States Mint forecast continued low circulating coin demand for FY 2010.

BULLION COINS Our bullion sales approached \$1.7 billion, our highest total ever and nearly 80 percent above last year's sales revenue. In FY 2008, bullion accounted for 34 percent of our total sales revenue. In FY 2009, it was 58 percent. We were able to meet demand for 22-karat gold and silver one-ounce bullion coins by the third quarter of FY 2009. Our West Point facility increased its output by 50 percent from last year, adding one bullion coining press but no additional personnel, while also achieving an improved safety record. By law, the purpose of the bullion coin program is to make precious metal coins available at minimal cost to investors; we manage to just under a two-percent margin, so our record bullion sales did not have a substantial impact on net income.

NUMISMATIC PRODUCTS Our numismatic business held its own in very tough retail conditions, helped by the success of our new product, the 2009 Ultra High Relief Double Eagle Gold Coin. Sales of other precious metal numismatic products were significantly hurt by the high demand for bullion. By law, we must meet the public's demand for our gold and silver bullion coins before we can offer our signature numismatic gold and silver proof coins. We have worked to stay ahead of bullion demand and hope to resume some American Eagle and American Buffalo numismatic product sales in FY 2010.

The bottom line is that, even though the United States Mint grew top line revenue to a recent high of \$2.9 billion, our transfer to the Treasury General Fund is small compared to recent years.

We made progress on our five strategic goals: branding; product portfolio; coin and medal design; operational efficiency; and developing an optimal workforce and workplace culture. There are several things I want to highlight.

BRANDING After much research and feedback, our brand promise became clear: Connecting America through Coins. With our brand platform established, we are in the process of developing a consistent visual style, voice, and experience that we want our stakeholders to see, hear and feel. We are excited about launching our branding initiative because it will define who we are and the role we play in serving the more than 300 million citizens who depend on us.

PRODUCT PORTFOLIO We conducted a thorough assessment of the 550 products in our product portfolio. As a result of that assessment, we stopped producing products our customers were not buying. This will allow us to focus efforts on providing products with the broadest appeal and invest in new products like the 2009 Ultra High Relief Double Eagle Gold Coin. We offered the discontinued inventory in a limited-time public sale, which generated \$2.7 million in revenue.

COIN AND MEDAL DESIGN We created a white paper defining what artistic excellence means to the United States Mint and developed a tactical plan that moves us in the direction of creating better-looking coins. The United States Mint's coins won awards in three of ten categories in last year's Coin of the Year Awards.

OPERATIONAL EFFICIENCY Low coin demand allowed us to implement much needed equipment maintenance, capital investments and employee training that should result in long-term efficiency gains. From measuring equipment efficiency to refining our quality measures, we established baselines we are committed to exceed.

OPTIMAL WORKFORCE AND WORKPLACE One key element of success for optimizing our workforce and workplace culture is to improve employee safety. This year, we reduced our already very small accident rate from 4.10 to 2.50 recordable incidents per 100 full-time workers, which places us among the elite in American manufacturing. Additionally, the Voluntary Protection Program at the United States Mint at Philadelphia won recertification from the Occupational Safety and Health Administration. I'm proud to say that we had a very safe year.

I went into some detail about our strategic realignment last year. This year, we expanded strategic planning from senior executives and union leadership to departmental managers and supervisors. Ultimately, it's our goal to have every employee at the United States Mint participate in various stages of our strategic planning process; know what their roles, responsibilities and performance metrics are; and be held accountable and rewarded for their contributions to accomplish the strategic plan.

We do have some challenges facing us for FY 2010.

DESIGN CAPACITY Our design capacity is stretched quite thin, and we must develop new ways to design our coins and medals on a timely basis, yet create them with greater artistic excellence. New designs upcoming in FY 2010 are as follows: the fourth Lincoln Bicentennial One-Cent Coin, the 2010 Lincoln One-Cent Coin reverse, the final commemorative quarter-dollar coin in the 2009 District of Columbia and U.S. Territories Quarters Program, four United States Mint America the Beautiful Quarters™, four Presidential \$1 Coins, one Native American \$1 Coin, four First Spouse Gold Coins, the Boy Scouts of America Centennial Commemorative Coin, the American Veterans Disabled for Life Commemorative Coin and several Congressional Gold Medals.



Front Row Left to Right: Cliff Northup, Director of Legislative Affairs; Dennis O'Connor, Chief of Protection; Richard Peterson, Associate Director of Manufacturing; Edmund C. Moy, Director; David L. Kim, Chief of Staff; B. B. Craig, Associate Director of Sales and Marketing; Marc Landry, Philadelphia Plant Manager

Back Row Left to Right: Patrick M. McAfee, Director of \$1 Coin Programs; Patricia M. Greiner, Chief Financial Officer; Larry Eckerman, San Francisco Plant Manager; Eric Anderson, Executive Secretary; Mike Stojsavljevich, Chief Strategy Officer; Tom Jurkowsky, Director of Public Affairs; Andrew D. Brunhart, Deputy Director; David M. Croft, Denver Plant Manager; Daniel P. Shaver, Chief Counsel; Debra Tomchek, Associate Director of Workforce Solutions; Ellen McCullom, West Point Plant Manager

CIRCULATING COIN METAL CONTENT While metal prices fell during the global recession, thus reducing our losses on pennies and nickels, base metal prices have begun to rise as the world economy begins to recover. Higher metal prices will result in reduced seigniorage that ultimately negatively affects the taxpayer.

RECORD LOW PRODUCTION The current circulating coin demand forecast from the Federal Reserve Bank projects similar orders for FY 2010 as in FY 2009. This means operating another year at a historic production low. We do, however, expect high gold and silver bullion coin demand to continue.

WORKPLACE CULTURE Our workplace culture must improve. For the second time in four years, the United States Mint ranked near the bottom of the Federal Human Capital Survey. While we've made progress on some internal measures, such as our Goalsharing report card, we must do better to be one of the Federal Government's best places to work.

Changing the United States Mint from "business-as-usual" to an organization that is forward leaning and world class requires hard work and perseverance over the long term. Our efforts are made more complicated by the difficult economic environment. But we are determined to do what is right for the American people, and that is our greatest motivation. It is times like these that separate good organizations from the best. We are committed to becoming world class in all measures, and today, we are firmly on that path.

Sincerely,

Edmund C. Moy
Director
United States Mint

Organizational Profile

Established in 1792, the United States Mint is the world's largest coin manufacturer. Our vision is to embody the American spirit through the creation of our Nation's coins and medals. The men and women of the United States Mint serve the Nation by exclusively and efficiently creating the highest quality, most beautiful and inspiring coins and medals that enable commerce; reflect American values; advance artistic excellence; educate the public by commemorating people, places and events; and fulfill retail demand for coins.

The United States Mint is committed to achieving efficient operations and providing value to the American people. Since Fiscal Year (FY) 1996, the United States Mint has operated under the United States Mint's Public Enterprise Fund (PEF). As authorized by Public Law 104-52 (codified at 31 U.S.C. § 5136), the PEF enables the United States Mint to operate without an appropriation. We generate revenue through the sale of circulating coins to the Federal Reserve Banks (FRB), numismatic products to the public and bullion coins to authorized purchasers. Moneys in excess of anticipated needs of the PEF are transferred to the United States Treasury General Fund.

The United States Mint operates six facilities and employs approximately 1,900 employees across the United States. Each facility performs unique functions critical to our overall operations. Administrative and oversight functions are performed at our Headquarters in Washington, D.C. Manufacturing facilities in Philadelphia, Pennsylvania, and Denver, Colorado, produce coins of all denominations for circulation. Both facilities also produce dies for striking coins. All sculpting and engraving of circulating and numismatic coin and medal designs is performed in Philadelphia. Production of numismatic and bullion products is primarily performed at facilities in San Francisco, California, and West Point, New York. All four plants produce commemorative coins as authorized by laws passed by Congress and approved by the President. The United States Bullion Depository at Fort Knox, Kentucky, stores and safeguards United States gold and silver bullion reserves.

PRIMARY RESPONSIBILITIES

The United States Mint's primary responsibilities include the following:

CIRCULATING The United States Mint is responsible for enabling commerce by minting and issuing circulating coins in amounts necessary to meet the needs of the United States. We mint and issue circulating coins to the FRB for distribution to the Nation's depository institutions. Commercial banks and other financial institutions then place coins into circulation to meet the demand of retailers and the public. Depository institutions can return coins to the FRB when they have more than necessary to meet demand. The United States Mint issues circulating coins to the FRB at face value. The net return, known as seigniorage, is the difference between the face value and the cost of producing circulating coinage. Seigniorage is transferred to the Treasury General Fund to help finance the national debt.

BULLION The United States Mint manufactures and issues gold, silver and platinum bullion coins through a network of authorized purchasers, which include precious metal and coin dealers, brokerage companies and participating banks. Bullion coins provide investors a simple and tangible means to own coins whose weight, content and purity are guaranteed by the United States Government. Coins are available to the general public through authorized purchasers.



The United States Mint at Philadelphia strikes bronze duplicates of many Congressional Gold Medals that are available for sale to the public.

VISION: To embody the American Spirit through the creation of our Nation's coins and medals.

MISSION: The men and women of the United States Mint serve the Nation by exclusively and efficiently creating the highest quality, most beautiful and inspiring coins and medals that enable commerce, reflect American values, advance artistic excellence, educate the public by commemorating people, places and events, and fulfill retail demand for coins.

NUMISMATIC The United States Mint prepares and distributes numismatic items, including proof and uncirculated coins, coin sets, commemorative coins and medal products. These products are manufactured and specially packaged for collectors and other members of the public who desire high-quality versions of the Nation's coinage as gifts or mementos. Through commemorative coin programs passed by Congress and approved by the President, the United States officially honors people, places, and events. By law, such programs include a surcharge in the price of the commemorative coin that is authorized to be paid to recipient organizations for worthy causes with evident public support. Customers can purchase numismatic coin and medal products through the United States Mint website, by phone order, or by mail order. Public points of sale are also available at the United States Mint facilities at Philadelphia, Denver and Washington D.C. and a United States Mint kiosk in Union Station in Washington D.C. The objective of the United States Mint numismatic program is to make numismatic products accessible, available, and affordable to the American public. We make every effort to control costs and keep the prices of numismatic items as low as practicable. Any net proceeds from the sales of numismatic products are transferred to the Treasury General Fund to help reduce the deficit or fund current Federal Government programs or operations.

MEDALS As part of the numismatic program, the United States Mint prepares and strikes National and other medals. Congressional Gold Medals are selective awards authorized by Congress and approved by the President to honor specific individuals in recognition of their achievements and contributions. The Congressional Gold Medal is widely considered the highest honor the Nation can bestow. The United States Mint also strikes, and makes available for sale to the public, bronze duplicates of these medals, as well as "list" medals, which are often a part of continuing medal series, such as the Presidents of the United States and Historic Buildings of the United States.

PROTECTION The United States Mint is responsible for protecting over \$240 billion in United States assets stored in our facilities. The Protection Department safeguards non-United States Mint assets in our custody, including gold and silver bullion reserves held at the United States Bullion Depository at Fort Knox, Kentucky, as well as United States Mint assets, such as our products, employees, facilities and equipment.

GOAL 1: EXCLUSIVE BRAND IDENTITY

The United States Mint is a well-established brand within both the national and international numismatic community.

The United States Mint believes building a trusted, highly-recognized brand is vital to expanding our customer base, ensuring continued success of numismatic and bullion programs and positively affecting the workforce culture.

THE UNITED STATES MINT BRAND In FY 2009, we conducted a research initiative to evaluate our current brand's strengths and weaknesses. The results highlighted the following organizational strengths that our brand should encompass. The United States Mint is a symbol of our Nation, whose authority is founded along with the United States by the Constitution. We contribute to the well-being of our economy by providing coins necessary to conduct trade and commerce. Our products unlock history and inspire discovery. Coins and medals remind us of where we come from as well as what is important today. We protect our Nation's assets, particularly safeguarding America's gold reserves. Finally, our organization is committed to public service and the constant pursuit of excellence. Based on the research initiative's results and conclusions, we set out to establish a new branding platform, the foundation upon which all our future decisions, both strategic and creative, will be made.

Our new branding platform centers around one promise: Connecting America through Coins. The United States Mint enables experiences that bring people together, starting with everyday commerce and extending beyond. Our coins and medals connect people to American history and values. Each coin we mint is a small share in the ongoing American experience, linking us in an unbroken line to our country's origins. The promise also highlights our business, increasing the public's recognition of the United States Mint as the exclusive origin of the Nation's coins and medals. In FY 2010, we plan to begin structuring all facets of our organization around this branding platform, including all communications and product packaging.

The foundation of a trusted, highly recognized brand is high quality products and services. Maintaining product quality and customer service is critical to attracting new customers, fostering the United States Mint brand and expanding our customer base into underserved segments of the population.

TRANSITION TO NEW CALL AND FULFILLMENT CENTER The United States Mint transitioned to a new call and order fulfilling system on January 3, 2009. In the first few months following this transition, we experienced some missteps. We did not ensure that initial staffing levels for the new call center and warehouse facility were adequate. Speed to answer customer calls, call length and order fulfillment all suffered. Customer satisfaction survey respondents reported wait times were longest among those who called in January and February of 2009. Satisfaction with phone interaction and representatives' overall knowledge, helpfulness and ability to answer questions were also lowest during this time period. Some customers waited more than five weeks to receive in-stock products, well over the normal one- to two-week order fulfillment time.

The United States Mint initiated a rigorous action plan to correct these initial issues. We worked to increase staffing levels and improve customer service representative training at the call center. We implemented numerous process improvements, such as adjusting the system menu options to give call center management more efficient controls. Warehouse processes were streamlined



Most coin production starts with coil — rolled-up strips of flat metal. Operators transport and load coil onto a wheel that feeds into a blanking press. From the sheet, the blanking press punches out round, plain-surfaced disks called cut blanks.

according to product demand and availability. Nearly all elements of the action plan were implemented by the beginning of the third quarter of FY 2009. As a result, wait times, call length and order fulfillment time began to return to acceptable levels. At the close of FY 2009, more than 80 percent of calls to the call center were answered within 20 seconds or less. All orders of in-stock items were fulfilled within four days of receipt. Maintaining and further enhancing customer service in this area will be a priority in FY 2010.

2009 ULTRA HIGH RELIEF DOUBLE EAGLE GOLD COIN We launched the 2009 Ultra High Relief Double Eagle Gold Coin for sale to the public on January 22, 2009. First day sales alone generated approximately \$33.7 million in revenue. Unfortunately, we encountered some problems delivering finished products to these initial customers in a timely manner. Because of the unavailability of gold planchets, quality issues with the 2009 Ultra High Relief Double Eagle Gold Coin companion book and incorrect shipping procedures, we suspended shipments of the product for various intervals to allow for corrective action. Uninterrupted product shipments resumed in March 2009.

The United States Mint conducted a survey of initial 2009 Ultra High Relief Double Eagle Gold Coin customers in March and April of 2009. We asked a sample of customers who ordered the coin on the launch date to complete a questionnaire on their experience. The survey allowed us to identify and correct problems with call center and order fulfillment systems. It also provided these valued customers the opportunity to evaluate our performance in supplying this unique product.

WEB INTEGRATION The United States Mint currently maintains two Web sites: the United States Mint's public information site (www.usmint.gov) and our e-commerce catalog site (<http://catalog.usmint.gov>). In the first quarter of FY 2007, we conducted usability studies to evaluate the utility and convenience of these sites. Studies indicated confusion among some visitors to the two sites. Many accessed the sites to obtain general information on the United States Mint as well as purchase numismatic products online. Visitors reported difficulty navigating between the sites to obtain desired information. Subsequent ongoing surveys conducted on our Web sites further supported these initial findings.

In response, we launched the Web Site Integration Project to integrate and consolidate the United States Mint's public information and e-commerce catalog sites to create a single, holistic online Web presence. This two-year initiative will integrate all existing content and functions. It will also consolidate the technical environments for back-end maintenance and development. An integrated United States Mint Web site will allow for a coherent Internet presence to visitors; a seamless browsing experience; and a comprehensive and comparative collection of Web statistics. Utilizing a common platform, hardware, software and information technology support will reduce operating costs and increase Web site management efficiency. In FY 2009, we began the project by drafting all content requirements and initiating the site's design phase. We plan to continue integration and development tasks in 2010.



American Eagle Silver Bullion coins are minted at the United States Mint at West Point. The force of each stamping press is adjusted according to the blank's size, hardness, design intricacy and relief.

GOAL 2: EFFECTIVE COIN AND MEDAL PORTFOLIO

Our goal is to develop the optimal product portfolio to maximize our customer base and units sold while minimizing customer acquisition costs.

The enactment of various legislation has allowed us to expand product lines in both numismatic and circulating coin programs. While sales of both new and core recurring products have been strong, we recognize the need to continually make improvements in the portfolio of products we offer.

2009 PRODUCT PORTFOLIO ASSESSMENT In November 2008, we conducted a thorough assessment of our numismatic coin and medal product portfolio. At the time, our portfolio included more than 550 individual coin and medal products with approximately 10 intersecting product lines. The assessment was intended to prioritize current product offerings as well as new product investments.

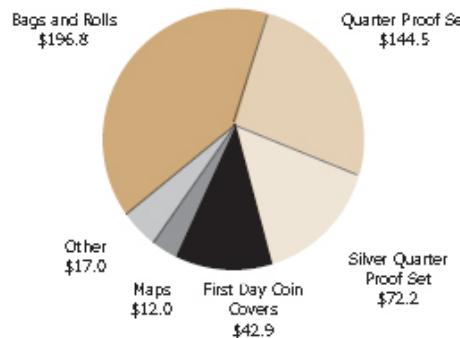
We evaluated each discretionary product based on its contribution to sales volume. All products that consisted of at least one percent of total unit sales were retained for the 2009 product portfolio. Of the 550 individual products assessed, 186 products (156 coin and 30 medal offerings) were retained in the new portfolio. These retained products made up over 80 percent of the United States Mint's total numismatic revenue and over 95 percent of total numismatic units sold in FY 2008.

Inventory of all discontinued products was offered to our customers in a special "Last Chance Sale." From November 15, 2008 to December 19, 2008, the United States Mint used this no-order-limit sale to deplete inventory of discontinued products. Through the Last Chance Sale, we sold about 67,600 units of excess or discontinued inventory, generating approximately \$2.7 million in numismatic revenue. Sales of 2007 annual sets alone generated half of the units sold and about 37 percent of the revenue. We will analyze our portfolio annually to ensure that we continue to offer products with the broadest appeal to Americans and the numismatic community.

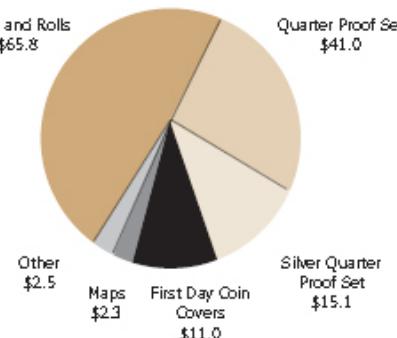
CONCLUSION OF THE 50 STATE QUARTERS® PROGRAM The United States Mint issued the final coin of the 50 State Quarters Program, commemorating Hawaii, in November 2008. This unprecedented ten-year initiative honoring the Nation's states has been hailed as the most successful coin program in the Nation's history. We were proud to spearhead a program with so many benefits for the United States. The 50 State Quarters Program met the financial expectations of its authorizing legislation. The United States Mint issued 34.3 billion quarters for circulation, generating \$8.6 billion in revenue and \$6.3 billion in seigniorage. We estimate that the program generated \$4.1 billion in revenue and \$3.0 billion in seigniorage that we would not have achieved without the program. The sale of 50 State Quarters numismatic products generated another \$485.4 million in revenue and \$137.7 million in earnings and seigniorage through FY 2009.

Congress envisioned each state's commemorative quarter design would increase knowledge of its history, geography, and culture. We worked with state officials, government representatives, citizens groups, historical societies, educators, numismatists and many others to achieve this goal. An estimated 3.5 million people participated in the design process for their state's quarter, either through concept submission or voting. About 147 million people collected the commemorative quarters. The popularity of the 50 State Quarters Program also afforded us further opportunity

50 State Quarters Numismatic Revenue
(dollars in millions)



50 State Quarters Numismatic Net Income and Seigniorage
(dollars in millions)



to educate the Nation's youth. We provided nearly 6.6 million electronic and hardcopy 50 State Quarters lesson plans for teachers and students to explore each state's quarter design, history, people and natural resources.

Along the way, we endeavored to enhance the program by modernizing coin production to achieve necessary capacities; enriching artistic contributions to coin designs; and improving the processes for design creation, selection and approval. Several commemorative quarter designs received the numismatic world's most prestigious awards for coin artistry. The 50 State Quarters Program's success opened the door for a new generation of circulating commemorative coin programs, including the Westward Journey Nickel Series™, the 2009 District of Columbia and U.S. Territories Quarters Program, the 2009 Lincoln Bicentennial One-Cent Coin Program, the Presidential \$1 Coin Program, the Native American \$1 Coin Program and the United States Mint America the Beautiful Quarters™ Program.

2009 DISTRICT OF COLUMBIA AND U.S. TERRITORIES QUARTERS PROGRAM

In January 2009, the United States Mint introduced the 2009 District of Columbia and U.S. Territories Quarters Program, a one-year initiative to honor the District of Columbia and the five U.S. Territories. In FY 2009, we minted and issued the first five coins with reverse designs emblematic of the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa and the United States Virgin Islands.

The United States Mint issued 432.5 million quarters in the 2009 District of Columbia and U.S. Territories Quarters Program for circulation in FY 2009, generating \$108.1 million in revenue and \$48.2 million in seigniorage. The sale of 2009 District of Columbia and U.S. Territories Quarters numismatic products generated another \$11.3 million in revenue and \$6.0 million in earnings and seigniorage. The United States Mint will release the final quarter, honoring the Commonwealth of the Northern Mariana Islands, in November 2009.

2009 LINCOLN BICENTENNIAL ONE-CENT COIN PROGRAM In FY 2009, we issued the first three of four one-cent coins in recognition of the bicentennial of President Abraham Lincoln's birth and the 100th anniversary of the first issuance of the Lincoln Cent. The four coins' reverse designs each represent a major aspect of President Lincoln's life.

The new one-cent coins were issued at approximately three-month intervals starting with the first coin in January 2009. The United States Mint issued 1.9 billion Lincoln Bicentennial One-Cent Coins for circulation in FY 2009, generating \$19.2 million in revenue. We also minted and issued numismatic one-cent coins in the exact metallic content contained in the 1909 one-cent coin.



An operator at the United States Mint at Denver feeds \$1 coin blanks into a weigh belt that feeds the annealing furnace, which softens blanks prior to stamping.

These numismatic versions were included in the United States Mint's annual set product offerings and a special Lincoln Coin and Chronicles Set. We also offered specially packaged two-role sets of the circulating coins for sale directly to the public. The sale of these two-roll sets generated \$5.5 million in revenue and \$1.2 million in earnings and seigniorage in FY 2009. A 2009 Lincoln Bicentennial One-Cent Proof Set is scheduled for release in FY 2010.

\$1 COIN PROGRAMS The United States Mint continued America's tribute to the Nation's Presidents in FY 2009, issuing four Presidential \$1 Coins featuring Presidents Van Buren, Harrison, Tyler and Polk. We also issued the 2009 Native American \$1 Coin, the first in a series of coins with reverse designs honoring the important contributions made by Indian tribes and individual Native Americans to the history and development of the United States. The 2009 coin commemorates the Native American contribution to agriculture. The central figure of "Sacagawea" remains on the obverse, but reverse designs will change each year to recognize a different contribution.

The Presidential \$1 Coin Act (Public Law 109-145) mandates that the United States Mint identify, analyze and overcome barriers to the robust circulation of \$1 coins. Likewise, the Native American \$1 Coin Act (Public Law 110-82) requires the United States Mint to carry out an aggressive, cost-effective, continuing campaign to encourage commercial enterprises to accept and dispense Native American \$1 coins. Promoting circulation and sustained usage of \$1 coins also affords potential cost-savings for the Federal Government and taxpayers because the coins can be minted and issued at higher seigniorage per dollar than any other denomination.

FOUR CITY PILOT The United States Mint developed a three-pronged pilot program to promote circulation of the \$1 coins in FY 2008. The pilot focused on recruiting retailers to accept and dispense \$1 coins in small cash transactions and facilitating their ordering of \$1 coins through banks. Print and television advertising and public relations initiatives supported the retailer recruitment and activation. The marketing campaign centered on the durability and longevity of the coins; the 100 percent recyclable materials used to produce coinage; and the billions of dollars the Nation could save over time by using the \$1 coins.

From August through November 2008, we launched the pilot in four markets across the United States to evaluate each strategy and its effectiveness in increasing \$1 coin usage. We selected the following four cities: Grand Rapids, Michigan; Portland, Oregon; Charlotte, North Carolina; and Austin, Texas. These mid-sized markets not only were easier and more cost effective to manage, but also were demographically representative of the United States as a whole. We wanted to introduce and test each strategy on a small scale that, if successful, could be implemented at the national level.

Prior to the pilot, the number of coins the Federal Reserve Banks (FRB) paid out to commercial banks had been declining. Nationally, FRB \$1 coin payments to banks fell 3 percent from the release of the John Quincy Adams Presidential \$1 Coin prior to the pilot to the Martin Van Buren Presidential \$1 Coin release during the pilot. We were able to reverse this trend within each pilot market and make notable gains. Overall, within the pilot markets, reported \$1 coin payments to commercial banks for the same period increased an estimated 24 percent or 1.8 million coins. While our investment in the pilot was greater than this return, much of the gain was realized in the later weeks of the pilot when all stores of the participating retailers had fully converted to \$1 coins.

We conducted a national survey to measure transactional usage of \$1 coins prior and subsequent to the pilot. Adults were asked if they had used a \$1 coin to pay for something or make a purchase in the past 12 months. The survey also measured rates of \$1 coin possession and awareness. The baseline survey was conducted in late July before launching any communications. The second survey was conducted in late November and early December following the pilot's completion. Nationally, the percentage of respondents reporting they had used a \$1 coin in a transaction declined slightly from 25 percent to 23 percent. Within the four markets, conversely, there was a statistically significant increase in the usage rate from 29 percent in the baseline survey to 33 percent following the pilot. This is a considerable achievement given that past campaigns for the Susan B. Anthony \$1 Coin or the Sacagawea \$1 Coin were unsuccessful at increasing usage of those coins.

The key lessons we learned from the pilot experience are that retail activation is a driver of \$1 coin usage and focusing on large, national chains is essential to establishing robust \$1 coin circulation. Six major retailers participated in the pilot. These retailers switched to the \$1 coin to reinforce consumer perceptions of their goodwill, sustainability or "green" efforts. This was the first time the United States Mint achieved sustained, voluntary corporate commitments to distribute \$1 coins. Working collaboratively with the headquarters staff of a national chain can yield thousands of outlets across the country accepting and dispensing \$1 coins in everyday transactions. In addition to the pilot, we implemented new and enhanced existing efforts to increase \$1 coin usage this year.

DIRECT SHIP We continued the Circulating \$1 Coin Direct Ship Program throughout FY 2009. Initiated in June 2008, the Direct Ship Program provides \$1 coins for sale directly to banks, small retailers, and the public in smaller volumes than available through traditional FRB distribution. In FY 2009, we distributed 85.2 million \$1 coins through the Direct Ship Program (62.6 million Native American \$1 Coins and 22.6 million Presidential \$1 Coins).

BULK SHIP The United States Mint initiated a Bulk Ship Program in August FY 2009 to offer an additional mechanism for interested customers to order \$1 coins in larger quantities. This program provides banks and larger retailers the opportunity to purchase a minimum of \$140,000 in \$1 coins directly from the United States Mint. In the initial two months of the program, we shipped 1.8 million Presidential \$1 Coins through the Bulk Ship Program.

FEDERAL ENTITIES We also continued efforts to assist Federal and other entities in complying with the requirements of the Presidential \$1 Coin Act and the Native American \$1 Coin Act. In late 2008, we worked with the Washington Metro Area Transit Authority (WMATA) to convert ticket machines at stations throughout Washington, DC and surrounding areas. All WMATA ticket machines began accepting and dispensing \$1 coins in January 2009.

GOAL 3: EXCELLENCE IN COIN DESIGN

Our products are exceptional artistic media for expressing our national character, memorializing our past and embodying our future.

The United States Mint recognizes and embraces its responsibility to do more than merely craft coins and medals. Coins are one of the most visible and tangible representations of a country. Likewise, art is not a mere facet of society, but an embodiment and extension of it. American numismatic art should express the national character, memorialize the past, manifest the country's aspirations and embody the future.

WHAT IS ARTISTIC EXCELLENCE While prior successes in coin and medal design are noteworthy, the United States Mint strives to achieve new levels in American numismatic art. Our designs have tended to focus on literalism, functionality and the limitations of prescribed design elements. Too often, designs lacked a unifying balance or transcendent quality that clearly links them together as part of the body of American coinage. Ultimately, the United States Mint should produce art that serves as the highest aspiration of who we are as a country or what we seek to become.

In 2009, the United States Mint produced a white paper establishing a philosophic path for achieving artistic excellence in the future. This document expressed the United States Mint's genuine desire to regain its place in American art and prioritize art as central to our craft. It established the following five core principles of American numismatic design by which the United States Mint will judge our artistic output:

UNIQUELY AMERICAN While bridging various styles, media and compositions, great American art commonly expresses the same intrinsically American themes. Likewise, American coinage should manifest a democratic character; liberty and freedom; the American landscape and a preference for simplicity; an enterprising spirit; and a struggle to be as great as our principles.

EXEMPLIFIES THE CURRENT ERA OF CREATION Coin designs should appear distinctly modern and of the 21st century by embodying the prevailing artistic notions and conventions of the time.

TELLS A GREAT STORY A great story gives meaning and purpose to a design. Art should make a statement whether evoking patriotism, describing Americans' views of their country or memorializing important historic moments.

ADVANCES THE CRAFT The United States Mint should advance the craft of coin and medal design both philosophically and practically. While greater emphasis is typically placed on new techniques and emerging technologies, equal weight should be placed on developing a design's intellectual and philosophical context.

AESTHETICALLY BEAUTIFUL The Nation's coins and medals should be artistic masterpieces rather than mere tokens or representational items. Our works must be of such quality that they resonate broadly, providing Americans the opportunity to admire and appreciate the artistry of the United States Mint.

By consistently adhering to these five principles, the United States Mint plans to engender a 21st century neo-renaissance in American coin and medal design. Our goal is for American coins and



Once the Secretary of the Treasury approves a coin or medal design, sculptor-engravers create three-dimensional models digitally or by traditional sculpting. Sculptor-engravers manually sculpt drawings into clay with traditional tools and refine them using plaster or digitally sculpt and refine designs with innovative software tools.

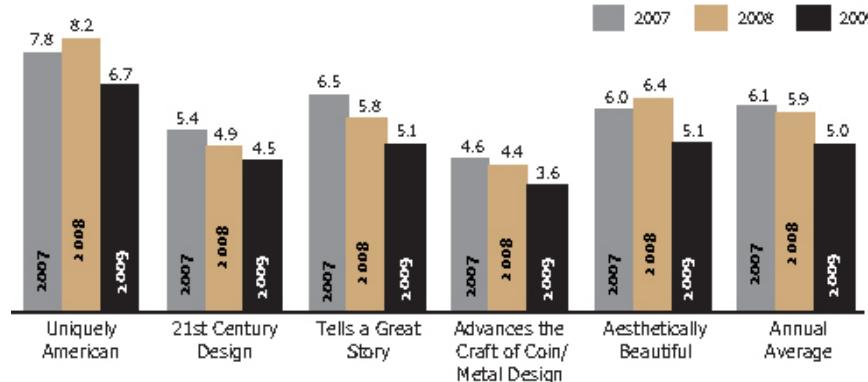
medals to be favorably compared with those of the Italian Renaissance, bearing designs that were considered the pinnacle of medallic art.

In March 2009, we invited members of the Citizens Coinage Advisory Commission (CCAC) to evaluate and score designs of all coins issued in FY 2007 and FY 2008 on the five principles. Members scored each design based on how well it embodies each principle on a scale from zero to ten. This artistic review scoring process provides an instructive assessment of the artistic quality of our final products. It also provides a means to measure year-to-year improvement in artistic excellence, enabling the United States Mint to progress toward superior designs.

Scores of FY 2007 and FY 2008 designs served as a baseline for subsequent years. Results clearly indicate our strengths in certain areas and need for improvement in others. Designs scored highest for being uniquely American but much lower for advancing the craft and exemplifying 21st century design. Scores held above the mid-point for telling a great story and being aesthetically beautiful. The average annual score for all designs declined slightly from 6.1 for FY 2007 designs to 5.9 for FY 2008 designs.

In September 2009, CCAC members scored designs for all coins issued in FY 2009. Unfortunately, scores decreased in all categories from the prior two fiscal years. The largest declines occurred in uniquely American and aesthetically beautiful categories. The average annual score fell to 5.0 in FY 2009. We plan to further examine the reasons underlying this decline and implement several initiatives to enhance performance in FY 2010.

Artistic Review Scores of Coin and Medal Designs



RECREATING A MASTERPIECE The 2009 Ultra High Relief Double Eagle Coin is a uniquely American artistic expression – created by an American sculptor and crafted by an iconic American institution. In the early 1900s, President Theodore Roosevelt called for a “renaissance” in American coinage. He believed that the coins of the era needed to be more attractive and better embody America’s national identity and growing preeminence on the world stage. President Roosevelt appointed Augustus Saint-Gaudens, a renowned sculptor and artist, to redesign the Nation’s coins. Sharing President Roosevelt’s vision, Saint-Gaudens designed what has been called the most beautiful coin ever minted in the United States, the 1907 \$20 Double Eagle Gold Coin. Saint-Gaudens and Roosevelt originally desired a high relief version of the 1907 Double Eagle. Unfortunately, the existing minting process was inadequate, and only a reduced relief coin was developed and mass produced. Saint-Gaudens’ full vision for the production of an ultra high relief coin was not realized until 2009.

Through the advent of modern technology, the United States Mint was able to mass produce a contemporary, but faithful rendition of Augustus Saint-Gaudens’ original 1907 Double Eagle design. Employing digital scanning techniques, we captured Saint-Gaudens’ original coin plasters as digital data. The artwork was then digitally imposed on a spherical basin where cracks and imperfections were digitally repaired; relief heights were measured and analyzed; and designs were compared to originals from photographs and specimens held by the Smithsonian Institution. Once obverse and reverse designs were complete, a computer numerically controlled (CNC) machine using digitally controlled lasers accurately reproduced the designs on duplicate sets of master tooling.

On November 24, 2008, at the United States Mint at West Point, Director Edmund C. Moy minted the historic first production strike of the 2009 Ultra High Relief Double Eagle Gold Coin. The first strike coin was later transferred to the Smithsonian Institution’s National Museum of American History. With the 2009 Ultra High Relief Double Eagle Gold Coin, the United States Mint closes one era and opens a new one. This new era is one in which American coins and medals not only continue to embody America’s unique spirit and identity, but also advance the craft and signal to the world that we are a country of artists, sculptors and innovators.

COIN AWARDS Three United States Mint coins took top honors at the 2009 Coin of the Year (COTY) Awards at the World’s Money Fair in Berlin, Germany in February 2009. The COTY Awards recognize the work of mints worldwide. An international panel of professional numismatists and experts appraise coin submissions on the basis of excellence in artisanship, practicality and general appeal. Entries span a two-year production period, and finalists are chosen in 10 categories. At the 2009 COTY Awards, the panel of judges designated the 2007 Jamestown 400th Anniversary Commemorative Silver Dollar the “Most Historically Significant Coin.” The 2007 Little Rock Central High School Desegregation 50th Anniversary Silver Dollar received the COTY Award for the “Best Contemporary Event Coin.” Finally, the George Washington Presidential \$1 Coin was honored as the “Most Popular Coin.”

GOAL 4: OPERATIONAL EFFICIENCY AND HIGHEST QUALITY STANDARDS

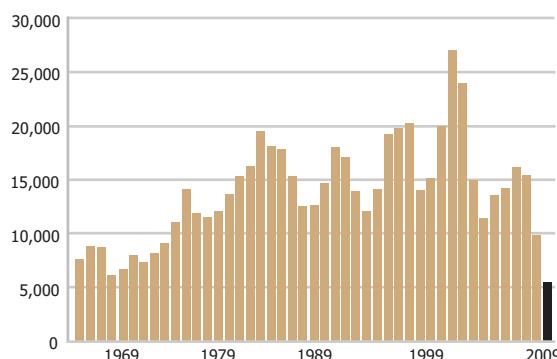
We continually strive for efficient coin manufacturing and sales operations. Greater efficiency benefits the American people as well as our customers.

The United States Mint is responsible for enabling commerce by minting and issuing circulating coins in amounts necessary to meet the needs of the United States. By reducing production and administrative costs, the United States Mint is able to transfer larger sums to the Treasury General Fund. Greater productivity and efficiency also allow us to keep the sale price of our numismatic products as low as practicable for our customers.

EFFICIENT OPERATIONS IN CURRENT ECONOMIC ENVIRONMENT In FY 2009, the worsening economic environment challenged our ability to maintain efficient manufacturing operations but also presented opportunities for long-term efficiency gains. Poor economic conditions, uncertainty regarding traditional investments and concerns about future inflation evidently drove investor demand for bullion coins to unprecedented highs in FY 2009. We sold 27.6 million ounces of precious metal bullion coins in FY 2009, more than in any other year since the bullion program began in 1986. These unprecedented volumes stressed our suppliers, and we temporarily limited our bullion coin offerings. We set standard allocation and ordering limits so these scarce products were equitably distributed among authorized purchasers. We continued our efforts to increase the capacity of our supply chain while also increasing bullion production capacity. Our West Point facility acquired an additional press to increase minting capacity and achieved higher employee productivity. While demand remained strong, we were able to lift allocation and ordering limits to satisfy all investor demand for 22-karat gold and silver one-ounce bullion coins in June 2009.

In contrast, low economic activity diminished demands on our circulating operations by reducing the need for coin used in commerce. Individuals and businesses returned more coins to the banking system, thus reducing the need for newly minted coin. Accordingly, our circulating coin production fell to a historic 45-year low. We instituted an organization-wide hiring freeze and implemented a comprehensive plan to take advantage of this period of low production by performing overdue maintenance. We completed certain capital improvements that are only possible when circulating production lines are idle. Low production volumes also afforded time to provide skill and safety awareness training to our employees.

Total Circulating Coin Production (coins in millions)

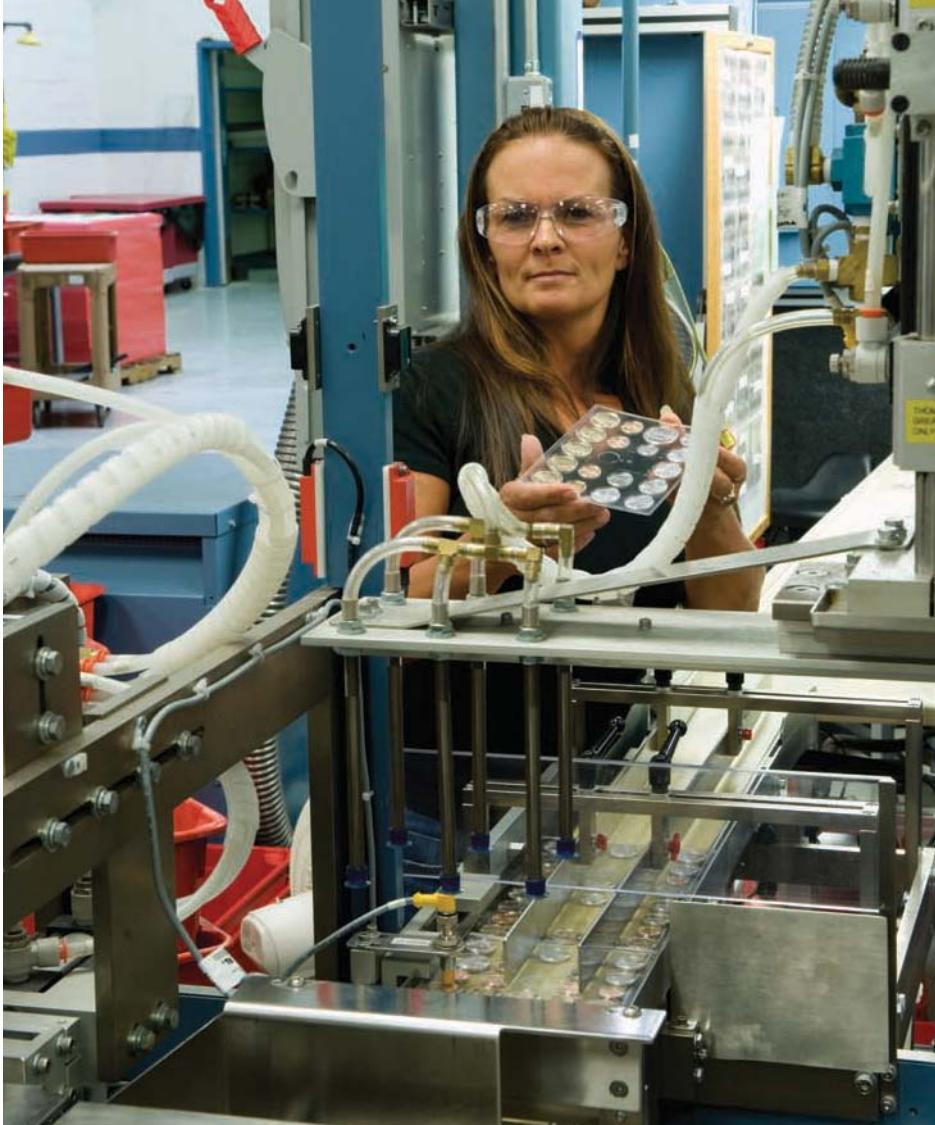




The physical vapor deposition coating system deposits a hard protective coating onto the surface of dies to extend die life and improve coin appearance.

CAPITAL INVESTMENTS Each year, we plan capital improvements based on the individual needs of our facilities. We place highest priority on capital investments that ensure employee safety, as well as compliance with environmental and regulatory standards. Our Denver facility, which dates back to 1904, requires significant long-term infrastructure improvements. In FY 2009, we delivered two major initiatives to replace the fire sprinkler system and upgrade the electrical switchgear in Denver. Each multi-million dollar project involved extensive work to bring the historic building up to modern standards, enhance employee safety and ensure reliable long-term operations. In FY 2009, we also initiated design and construction work for entry and exit infrastructure improvements at the United States Bullion Depository at Fort Knox.

New coin legislation mandates a significant portion of our capital spending priorities. In FY 2009, we purchased a new coining press and edge-lettering tooling for our Philadelphia facility to produce coins required by the America's Beautiful National Parks Quarter Dollar Coin Act (Act) (Public Law 110-456). The Act requires the United States Mint to mint and issue larger five-ounce silver bullion coins with the same designs as the America the Beautiful Quarters™ coins starting in 2010. Finally, capital investments that enhance productivity ensure more efficient manufacturing operations in the long term. In FY 2009, we deployed physical vapor deposition (PVD) coating systems at Philadelphia and San Francisco to deposit chrome onto the surface of dies. Chrome is required to extend production life and improve coin appearance. This new surface coating process replaces older chrome electroplating techniques that are not as environmentally and worker friendly. The new PVD coating system eliminates these concerns and should extend die production life and improve stamping productivity. We will start up a third PVD coating system at our West Point facility in FY 2010.



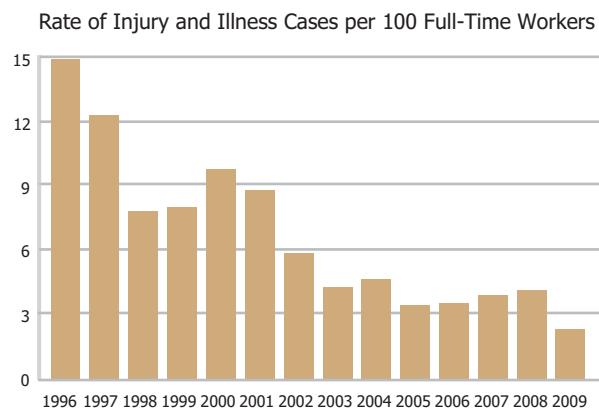
Quality checks are conducted on the 2009 United States Mint Uncirculated Coin Set automated packaging line at the United States Mint at Philadelphia. Each 2009 set contains two folders of 18 coins, one folder from the United States Mint at Philadelphia and one from the United States Mint at Denver.

HIGHEST QUALITY STANDARDS Product quality is a top priority for the United States Mint. To produce coins befitting the “Mint Condition” standard, we continually monitor and enhance our production processes. As a case in point, the 2009 Lincoln Bicentennial One-Cent Coin Program required the United States Mint to offer numismatic pennies in proof and uncirculated quality in the exact metallic content as the 1909 penny (an alloy containing 95 percent copper, 3 percent zinc and 2 percent tin). Unfortunately, this metallic composition proved highly susceptible to tarnishing. In response, a team of quality, engineering and internal control employees established a control plan to reduce tarnishing in the copper alloy blanks and improve quality controls over blank supply. We conducted repeated experiments to improve control of the burnishing process (the cleaning and chemical treating of blanks). We subjected blanks to enhanced quality checks, particularly steam tests that accelerate aging and indicate the effectiveness of each change in the burnishing process. After the two month effort, our team significantly reduced the tarnishing in the copper alloy blanks. Even with this effort, we know that we are fighting the laws of chemistry and that, over time, the pennies using this composition will tarnish in much the same way as the coins did in 1909.

Moving forward, we plan to further strengthen the quality controls in place for our current products. We will work with the entire supply chain to proactively identify potential sources of quality problems so that appropriate controls are in place to ensure problems are quickly identified and corrected.

GOAL 5: OPTIMAL WORKFORCE AND WORKPLACE CULTURE

We are committed to providing our employees a fair, safe and rewarding workplace.



The United States Mint strives to develop our workforce to ensure that each employee has the necessary knowledge, skills and qualities to effectively and meaningfully contribute to our mission.

EMPLOYEE SAFETY The United States Mint placed renewed emphasis on improving employee safety in FY 2009. From 2005 through 2008, our recordable case rate increased each year. To reverse this upward trend, we began emphasizing safety performance at the highest levels and communicating

preventative information throughout each facility. We also initiated processes to control exposure to severe hazards and conducted extensive safety compliance audits.

SENIOR LEVEL FOCUS ON SAFETY Heightened safety awareness began with our executives and union leaders. On a monthly basis, executives were briefed on injury and illness rates, any incidents that had occurred and the corrective action taken. Executives also discussed the progress of initiatives to reduce risk and prevent future incidents. The focus on safety spread from the senior level throughout the organization. We launched a monthly safety topic program to educate employees on subjects such as reporting unsafe working conditions, handling hazardous materials and maintaining clean workspace. Safety topics were presented each month at the Director's staff meeting. Management then disseminated the information on these topics to all employees.

ROOT CAUSE ACCIDENT INVESTIGATION When injuries did occur, we identified root causes and implemented corrective action to prevent recurrence. Often improper training, inadequate supervision, defective tools or dangerous equipment result in employee injury or illness. Root cause investigation identifies such systematic deficiencies as the source of accidents rather than blaming individual error. After each investigation, we recorded and monitored the contributing systematic causes to implement corrective action throughout all facilities.

SAFETY AUDITS We audited all facilities for regulatory compliance with occupational health and safety standards in FY 2009. Minor deficiencies were corrected within 30 days. Action plans were developed and implemented for deficiencies requiring more extensive corrective action. In FY 2010, we will expand audits to address safety and health systems and practices. Our overall goal is a safety management system focused on proactive evaluation of safety efforts rather than reacting to incidents when they occur. Audits will evaluate management systems including training and education, communication, documentation, emergency preparedness and monitoring. Such audits target systematic deficiencies likely to result in unsafe working conditions, injuries or illness.

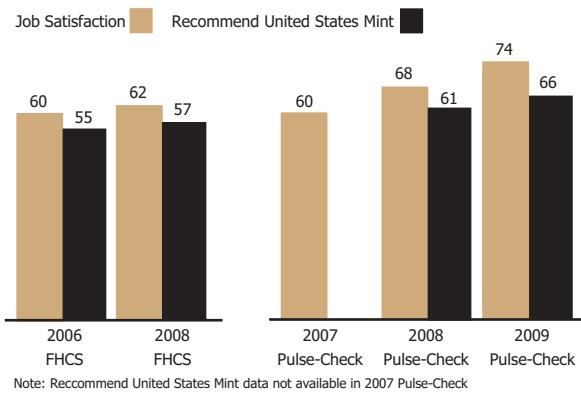


Cone-ended durable steel blank dies are inspected before the coin designs are hubbed (mechanically pressed) into the dies.

As a result of these efforts, we experienced a record safety year. Our total recordable case rate fell to 2.50 recordable injuries and illnesses per 100 full-time workers, the lowest rate since we began reporting the figure in FY 1996. Only 40 injuries and illnesses occurred in FY 2009, down 43.7 percent from the 71 injuries and illnesses that occurred last year. The United States Mint also significantly reduced the number of work-related injuries or illnesses resulting in lost workdays. Lost time accidents fell to 13 in FY 2009 from 20 in FY 2008.

EMPLOYEE SATISFACTION On a biennial basis, the United States Office of Personnel Management (OPM) administers the Federal Human Capital Survey (FHCS) to all full-time, permanent employees of the Federal Government. The survey measures employees' perceptions regarding how effectively their agency manages its workforce. FHCS results are used to develop the *Best Places to Work in the Federal Government* rankings. The United States Mint has performed poorly relative to other Federal agencies in recent years. In rankings based on the 2008 FHCS, the United States Mint ranked 201 out of 216 Federal agencies surveyed. We ranked even lower in the subcategories of

Percentage of Employees Reporting



Government drivers. It is administered to all employees and often indicates higher employee satisfaction compared to the biennial FHCS that is administered to only a sample of employees.

FY 2009 Pulse-Check results indicate some improvement in employee satisfaction from the 2008 FHCS results. A majority of employees, 74 percent, expressed satisfaction with their jobs, significantly higher than the 62 percent of employees expressing job satisfaction in the 2008 FHCS. Nearly seven out of ten, 66 percent, employees reported they would recommend the United States Mint as a good place to work, a significant improvement from the 57 percent of employees recommending the bureau in the 2008 FHCS.

While Pulse-Check results suggest some improvement, the 2008 FHCS results indicate that our employees continued to perceive significant deficiencies in the United States Mint's work environment and leadership. We are developing new approaches and strategies to address these concerns and cultivate an engaged and committed organization.

IMPROVING EFFECTIVE LEADERSHIP The United States Mint initiated the second phase of the Leadership Development Program (LDP II) in FY 2009. LDP is a three-phase training program designed to provide managers with the knowledge, skills and ability they need to more effectively lead employees. The initial phase of LDP received the prestigious Leadership Development Award for outstanding work in leadership from the Training Officers' Consortium in June 2009.

All supervisors, managers and executives were required to attend LDP II in FY 2009. This second phase focused on systems thinking, coaching for accountability and performance, leading in complex situations, internal controls and fraud awareness, labor relations and values-based leadership. The United States Mint plans to implement the third phase of LDP in FY 2010. This phase will reinforce previous training and provide more in-depth tools and techniques for leaders to successfully meet future challenges.

IMPROVING EMPLOYEE SKILLS AND MISSION MATCH The United States Mint conducted an assessment survey to identify skill and competency gaps for all job series in late 2008. Based on the results, our executives are examining new training and improvement opportunities to close identified gaps.

effective leadership and employee skills and mission match. Declining employee satisfaction affects our overall productivity and efficiency. Dissatisfied employees typically are less motivated, have higher absentee and accident rates and limit themselves to fewer duties.

The United States Mint uses a semi-annual Employee Pulse-Check Survey (Pulse-Check) to obtain current feedback on employee satisfaction. This survey contains several questions based on the FHCS and the *Best Places to Work in the Federal*

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Nearly half of the current United States Mint workforce will be eligible for retirement in the next five years. Loss of key personnel may affect some of the agency's most critical occupational categories. We are addressing these concerns through the Manufacturer Certification and Apprenticeship Program (MCAP). The MCAP is an on-the-job training and certification program for wage grade employees in the coin and die divisions of our Philadelphia and Denver facilities. This program is intended to create a highly skilled and flexible manufacturing workforce. As the MCAP progresses, all currently specialized, lower grade jobs will be combined into two higher grade positions which incorporate all functions necessary to produce either coins or dies. Employees advance gradually through the MCAP by completing classroom and on-the-job training in each production skill requirement. Employees must demonstrate proficiency in operations to achieve certification and advance to the next program level. At the top level, employees will be qualified to perform any job in the entire coin or die production process. As of the close of FY 2009, over 40 percent of eligible die division employees and approximately 14 percent of eligible coin division employees had applied for the MCAP.

In FY 2010, we will start developing the Employee Development Program. This program will focus on developing knowledgeable and effective employees. The United States Mint also continually provides various training and development opportunities for our employees, including on-the-job-training, apprenticeships, self-study programs, Treasury Learning Management System courses and professional certification programs.

IMPROVING OUR GOALSHARING PROGRAM Every employee at the United States Mint can contribute to improved performance. The United States Mint's Goalsharing Program recognizes and rewards the achievement of employees working collectively to meet our strategic goals. The program awards non-executive employees under acceptable performance standing for achieving certain safety, quality and customer service performance milestones. At the end of FY 2008, there was a perception that the Goalsharing Program was not effectively rewarding the agency's successes. This negatively affected workforce morale. Several elements seemed to reflect only external forces, and employees did not feel empowered to achieve desired performance results.

This year, we improved the Goalsharing Program by working with employees to attain greater transparency and more direct links between employee efforts and performance results. We formed a committee of managers and employees from every facility and all organizational departments to develop and champion the Goalsharing Program throughout the year. The committee met to define the program objectives and review performance regularly. Monthly executive meetings to review our progress towards meeting strategic goals included specific briefings on the Goalsharing Program. The Goalsharing committee and union representatives were all encouraged to review the drivers of performance and implement strategies or initiatives to improve results. Our senior executives urged all managers and supervisors to meet with employees regularly to discuss ways to exceed our performance goals.



Patricia M. Greiner
United States Mint Chief Financial Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

Message from the Chief Financial Officer:

I am pleased to present the United States Mint's financial statements as an integral part of the FY 2009 Annual Report. As an organization, our priority is to report accurate financial data while objectively and consistently executing our fiscal responsibilities. For FY 2009, our independent auditors rendered an unqualified opinion. The United States Mint remains committed to accountability and integrity in our financial and management responsibilities.

The United States Mint faced a challenging environment in FY 2009. As a result of the economic environment, the cash generated from the operation of the United States Mint Public Enterprise Fund declined from prior years. We transferred only \$475 million to the Treasury General Fund this year, about 37 percent less than our FY 2008 transfer.

Shipments of circulating coin to the Federal Reserve Banks (FRB) decreased 40 percent from last year, generating considerably lower seigniorage from circulating operations. Sales of bullion coins soared beyond last year's record high. Initially, we had difficulty acquiring sufficient precious metal planchets from our suppliers to meet bullion coin demand. To address supply constraints, the United States Mint allocated all available planchet supply to the bullion programs, for which we are legislatively mandated to fulfill public demand. We also worked with suppliers to increase the amount of planchets available for purchase. Consequently, the United States Mint expanded production from previous levels of eight to ten million ounces annually to over 27 million ounces in FY 2009. While demand remained strong throughout the year, we were able to lift allocation and ordering limits and satisfy all investor demand for 22-karat gold and silver bullion one-ounce coins by the third quarter of FY 2009.

In prior years, volatility in precious metal markets forced the United States Mint to remove products from sale and perform irregular re-pricing, resulting in lost sales and dissatisfied customers. Starting on January 12, 2009, the United States Mint implemented a new pricing policy for numismatic products containing gold and platinum. The policy applies a standard methodology for adjusting product prices on a weekly basis. The new strategy is more transparent for our customers and ensures that product prices better reflect the current market values of gold and platinum.

Strong financial management and internal controls are the foundation of an efficient and effective organization. In FY 2009, we conducted a comprehensive assessment of the effectiveness of internal controls over financial reporting. Based on the results, we can provide unqualified assurance that internal controls over financial reporting are operating effectively and there are no material weaknesses in the design or operation of financial reporting and inventory management.

Last year, the United States Mint reported one material weakness related to inventory management. We developed a comprehensive Corrective Action Plan to strengthen internal controls and, as a result, made considerable improvements in inventory accuracy. Over the past two years, total inventory accuracy at the United States Mints at Philadelphia and Denver improved from 69 percent and 94 percent, respectively, to over 99 percent at each facility. While no material weaknesses were found this year, we reported four significant deficiencies.

We remained committed to improving the United States Mint's internal controls in FY 2009. I, along with my Deputy Chief Financial Officer, personally conducted mandatory internal control and fraud awareness training for all supervisors and managers. We also continue to monitor and close all internal and external audit findings and corrective actions.

The United States Mint prepared its financial statements in compliance with accounting standards issued by the Federal Accounting Standards Advisory Board (FASAB). The FASAB is designated by the American Institute of Certified Public Accountants as the standard-setting body for the financial statements of Federal government entities, with respect to establishment of the United States Generally Accepted Accounting Principles.

We close FY 2009 continuing to provide the American people high-quality products and good financial results given our current operating environment. We are committed to presenting our results in a complete and understandable manner to our stakeholders, the American public. We hope you find our annual report useful and transparent. We look forward to maintaining our 217 year-old tradition of service to the American public and our collectors in FY 2010.

Sincerely,



Patricia M. Greiner
Chief Financial Officer

Circulating Coinage

Circulating coins are shipped to the Federal Reserve Banks (FRB) as needed to replenish inventory and fulfill commercial demand. Revenue from the sale of circulating coins is recognized at face value when coins are shipped. Earned revenue equals the gross costs incurred to make and distribute coins. Seigniorage is the difference between the face value and the gross costs of coins shipped. Seigniorage adds to the Federal Government's cash balance, but unlike the payment of taxes or other receipts, seigniorage does not involve a transfer of financial assets from the public. Instead, it arises from the exercise of the Federal Government's sovereign power to create money and the public's desire to hold financial assets in the form of coins. The President's Budget excludes seigniorage from receipts and treats it as a means of financing the national debt.

FY 2009 RESULTS Total circulating coins shipped to the FRB decreased 47.8 percent to 5,207 million pieces in FY 2009 from 9,974 million pieces in FY 2008. The total dollar value of circulating shipments to the FRB fell to \$777.6 million from \$1,294.5 million last year. Declining economic conditions drove much of the declines in shipments and revenue. Demand for circulating coins for use in cash transactions fell as retail activity weakened further in FY 2009. Commercial banks and other financial institutions curtailed orders for coins and returned excess coins to the FRB. In response to these conditions, the FRB decreased orders for newly minted coins. The FRB also began targeting lower inventory levels, further reducing their need for circulating coinage from the United States Mint.

Shipments of one-cent and \$1 coins fell to a lesser extent because of collector interest in rotating coin designs. While shipments of five-cent and dime coins declined 68.0 percent and 66.5 percent, respectively, one-cent shipments fell only 39.0 percent from FY 2008.

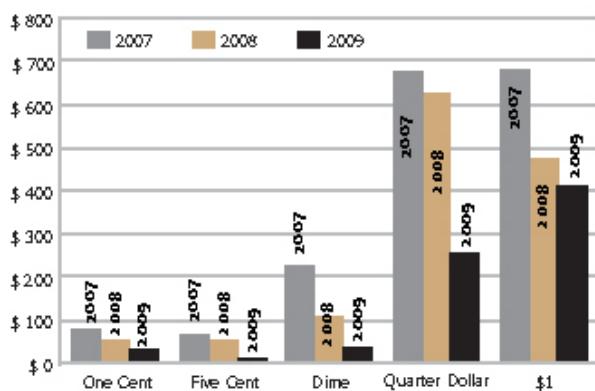
Shipments of \$1 coins declined only 3.4 percent from last year. Shipments were augmented by the Circulating \$1 Coin Direct Ship Program, which contributed 18.6 percent of total \$1 coin shipments in FY 2009. The strength of the \$1 coin relative to other denominations lessened the impact of lower volumes on the total dollar value of shipments. The \$1 coin alone made up 58.9 percent of the total value of coins shipped to the FRB in FY 2009, compared to 36.7 percent last year.

Rotating designs among other factors did not, however, thwart declining demand for quarter-dollar coins. Shipments of quarter-dollar coins to the FRB fell 61.6 percent from last year. Low demand for newly minted quarter-dollar coins is, in part, due to the FRB's accumulation of the coins. Quarter-dollar coins are the most prevalent denomination in FRB inventory, consisting of approximately 39.6 percent (about 3.7 billion coins) of total monthly ending inventory in September 2009. Shipments of quarter-dollar coins are expected to remain low until the FRB inventory of the coins is depleted to levels that more reflect requirements for enabling commerce.

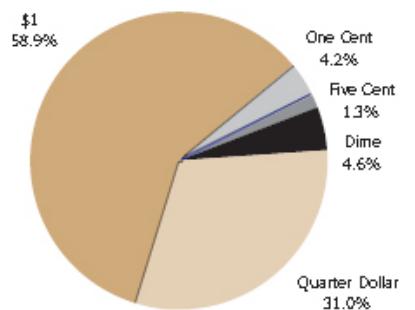
CIRCULATING (dollars in millions except seigniorage per \$1 issued)

	2009	2008	2007	2006	2005	% Change 2008 to 2009
Value of Shipments	\$ 777.6	\$ 1,294.5	\$ 1,727.8	\$ 1,271.9	\$ 1,144.8	(39.9%)
Gross Cost	\$ 349.8	\$ 588.3	\$ 722.6	\$ 603.4	\$ 445.4	(40.5%)
Cost of Goods Sold	\$ 251.7	\$ 491.3	\$ 629.1	\$ 508.8	\$ 359.5	(48.8%)
Sales, General & Administrative	\$ 98.1	\$ 97.0	\$ 93.5	\$ 94.6	\$ 85.9	1.1%
Seigniorage	\$ 427.8	\$ 706.2	\$ 1,005.2	\$ 668.5	\$ 699.4	(39.4%)
Seigniorage per \$1 Issued	\$ 0.55	\$ 0.55	\$ 0.58	\$ 0.53	\$ 0.61	

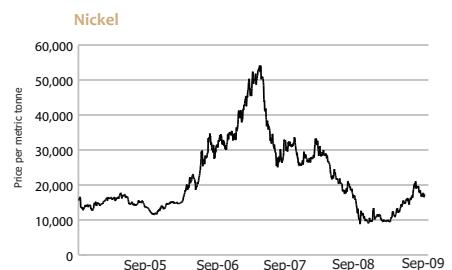
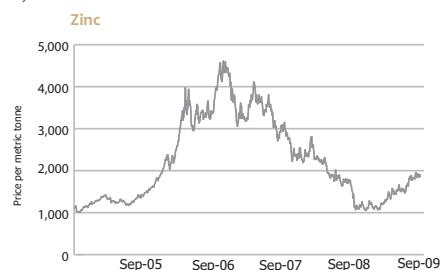
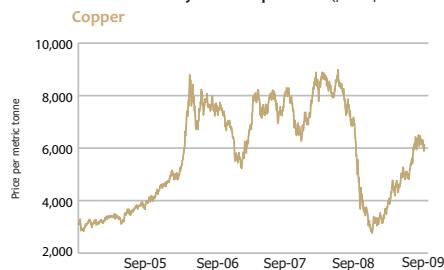
Value of Shipments by Denomination (dollars in millions)



2009 Value of Shipments by Denomination



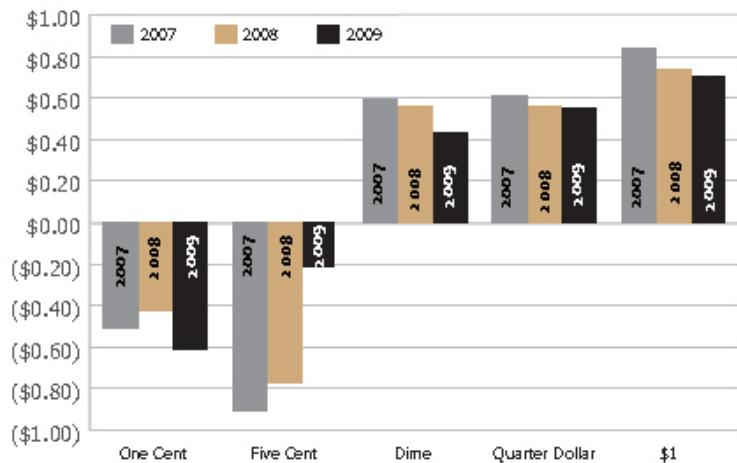
Base Metal Daily Official Spot Price (prices per metric tonne in dollars)



Weakened demand reduced both the gross cost and seigniorage from circulating operations. Circulating gross costs fell to \$349.8 million in FY 2009 from \$588.3 million in FY 2008. Lower volumes reduced circulating cost of goods sold (COGS) by 48.8 percent to only \$251.7 million in FY 2009. COGS made up a smaller portion of the total value of shipments because of reduced metal expenses. Market prices of copper, nickel and zinc fell to five-year lows in the beginning of FY 2009. The average daily spot price for copper and zinc decreased 42.5 percent and 37.4 percent, respectively, from FY 2008 to FY 2009. The average daily spot price for nickel declined 49.3 percent over the same time period. Selling, general and administrative (SG&A) expenses increased slightly from \$97.0 million in FY 2008 to \$98.1 million in FY 2009.

Seigniorage declined 39.4 percent to \$427.8 million in FY 2009 from \$706.2 million last year. Strong relative demand for the \$1 coin supplemented the return from circulating operations. The \$1 coin generated the vast majority, approximately 74.5 percent, of total seigniorage in FY 2009. While SG&A increased only slightly from FY 2008, it made up a greater portion of the total value of coin shipped. This offset the reduction in COGS relative to the total value of shipments, and seigniorage per dollar issued remained at \$0.55 in FY 2009.

Seigniorage per Dollar Issued by Denomination



CIRCULATING UNIT COSTS While per-unit metal costs decreased in FY 2009, the total unit cost of all denominations except the five-cent coin increased from last year. When production volumes decline because of low demand, production costs are spread over fewer units. In FY 2009, this offset the per-unit gains from lower base metal expenses. The dime coin unit cost increased about 1.3 cents in FY 2009 largely because the 1.8 cent increase in per-unit production cost offset the 1.0 cent reduction in per-unit metal cost. Higher per-unit SG&A cost also drove up the total unit cost for the dime, quarter-dollar and \$1 coin denominations in FY 2009.

Slight increases in per-unit production and SG&A costs did not offset the 3.1 cent decline in the five-cent coin's per-unit metal cost. Accordingly, the five-cent coin's total unit cost declined 2.8 cents from FY 2008. Despite this, the unit cost for both one-cent and five-cent denominations remained above face value for the fourth consecutive fiscal year. Low demand for the five-cent coin largely reduced the overall loss the United States Mint incurred from producing these denominations in FY 2009. One-cent and five-cent coins were produced at a loss of \$22.0 million, down 53.2 percent from the FY 2008 loss of about \$47.0 million.

While metal prices fell from prior peaks in FY 2009, base metal expenses continue to make up the largest portion of circulating production cost. Toward the end of FY 2009, market prices for copper, nickel and zinc all started to increase to FY 2007 levels. The Secretary of the Treasury currently has the authority to select the metal composition of the \$1 coin, as well as alter the percentage of copper and zinc in the one-cent coin. The compositions of five-cent, dime, quarter-dollar and half-dollar coins are codified by statute. Any authority to change the metal composition of these denominations requires legislative action.



\$1 coin blanks are fed into a stamping press where two dies (obverse and reverse) strike both sides of the planchet at the same time, impressing the design into the planchet and creating a coin.

SHIPMENTS TO FEDERAL RESERVE BANKS, COSTS AND SEIGNIORAGE BY DENOMINATION
(coins and dollars in millions except seigniorage per \$1 issued)

FY 2009	One-Cent	Five-Cent	Dime	Quarter-Dollar	Half-Dollar	\$1	Mutilated & Other	Total
Coins Shipped to the FRB	3,218	207	358	965	–	459	–	5,207
Value of Shipments	\$ 32.2	\$ 10.3	\$ 35.7	\$ 241.3	\$ –	\$ 458.1	\$ –	\$ 777.6
Gross Cost	\$ 52.0	\$ 12.5	\$ 20.2	\$ 109.1	\$ (0.1)	\$ 139.4	\$ 16.7	\$ 349.8
Cost of Goods Sold	\$ 52.0	\$ 12.2	\$ 16.6	\$ 80.3	\$ (0.2)	\$ 74.1	\$ 16.7	\$ 251.7
Sales, General & Administrative	\$ –	\$ 0.3	\$ 3.6	\$ 28.8	\$ 0.1	\$ 65.3	\$ –	\$ 98.1
Seigniorage	\$ (19.8)	\$ (2.2)	\$ 15.5	\$ 132.2	\$ 0.1	\$ 318.7	\$ (16.7)	\$ 427.8
Seigniorage per \$1 Issued	\$ (0.61)	\$ (0.21)	\$ 0.43	\$ 0.55	\$ –	\$ 0.70	\$ –	\$ 0.55

FY 2008	One-Cent	Five-Cent	Dime	Quarter-Dollar	Half-Dollar	\$1	Mutilated & Other	Total
Coins Shipped to the FRB	5,272	647	1,070	2,510	–	475	–	9,974
Value of Shipments	\$ 52.7	\$ 32.3	\$ 107.1	\$ 627.6	\$ –	\$ 474.8	\$ –	\$ 1,294.5
Gross Cost	\$ 74.9	\$ 57.1	\$ 46.6	\$ 273.5	\$ –	\$ 125.4	\$ 10.8	\$ 588.3
Cost of Goods Sold	\$ 74.7	\$ 57.1	\$ 40.3	\$ 235.2	\$ –	\$ 73.2	\$ 10.8	\$ 491.3
Sales, General & Administrative	\$ 0.2	\$ –	\$ 6.3	\$ 38.3	\$ –	\$ 52.2	\$ –	\$ 97.0
Seigniorage	\$ (22.2)	\$ (24.8)	\$ 60.5	\$ 354.1	\$ –	\$ 349.4	\$ (10.8)	\$ 706.2
Seigniorage per \$1 Issued	\$ (0.42)	\$ (0.77)	\$ 0.56	\$ 0.56	\$ –	\$ 0.74	\$ –	\$ 0.55

FY 2007	One-Cent	Five-Cent	Dime	Quarter-Dollar	Half-Dollar	\$1	Mutilated & Other	Total
Coins Shipped to the FRB	7,084	1,289	2,247	2,711	–	690	–	14,021
Value of Shipments	\$ 78.1	\$ 64.4	\$ 224.8	\$ 677.8	\$ –	\$ 682.7	\$ –	\$ 1,727.8
Gross Cost	\$ 118.2	\$ 122.9	\$ 92.1	\$ 265.3	\$ –	\$ 108.5	\$ 15.6	\$ 722.6
Cost of Goods Sold	\$ 118.2	\$ 122.9	\$ 81.2	\$ 231.3	\$ –	\$ 59.9	\$ 15.6	\$ 629.1
Sales, General & Administrative	\$ –	\$ –	\$ 10.9	\$ 34.0	\$ –	\$ 48.6	\$ –	\$ 93.5
Seigniorage	\$ (40.1)	\$ (58.5)	\$ 132.7	\$ 412.5	\$ –	\$ 574.2	\$ (15.6)	\$ 1,005.2
Seigniorage per \$1 Issued	\$ (0.51)	\$ (0.91)	\$ 0.59	\$ 0.61	\$ –	\$ 0.84	\$ –	\$ 0.58



Dies for proof quality coins are hand polished at the United States Mint at Denver to improve coin appearance.

UNIT COST OF PRODUCING AND DISTRIBUTING COINS BY DENOMINATION

FY 2009	One-Cent	Five-Cent	Dime	Quarter-Dollar	Half-Dollar	\$1
Cost of Goods Sold	\$ 0.0159	\$ 0.0579	\$ 0.0456	\$ 0.0816	\$ -	\$ 0.1599
Sales, General & Administrative	\$ -	\$ 0.0014	\$ 0.0101	\$ 0.0298	\$ -	\$ 0.1424
Distribution to FRB	\$ 0.0003	\$ 0.0010	\$ 0.0008	\$ 0.0017	\$ -	\$ 0.0017
Total Expenses	\$ 0.0162	\$ 0.0603	\$ 0.0565	\$ 0.1131	\$ -	\$ 0.3040

FY 2008	One-Cent	Five-Cent	Dime	Quarter-Dollar	Half-Dollar	\$1
Cost of Goods Sold	\$ 0.0139	\$ 0.0877	\$ 0.0371	\$ 0.0925	\$ -	\$ 0.1517
Sales, General & Administrative	\$ -	\$ -	\$ 0.0059	\$ 0.0153	\$ -	\$ 0.1098
Distribution to FRB	\$ 0.0003	\$ 0.0006	\$ 0.0006	\$ 0.0012	\$ -	\$ 0.0026
Total Expenses	\$ 0.0142	\$ 0.0883	\$ 0.0436	\$ 0.1090	\$ -	\$ 0.2641

FY 2007	One-Cent	Five-Cent	Dime	Quarter-Dollar	Half-Dollar	\$1
Cost of Goods Sold	\$ 0.0165	\$ 0.0949	\$ 0.0357	\$ 0.0841	\$ -	\$ 0.0835
Sales, General & Administrative	\$ -	\$ -	\$ 0.0048	\$ 0.0125	\$ -	\$ 0.0705
Distribution to FRB	\$ 0.0002	\$ 0.0004	\$ 0.0004	\$ 0.0012	\$ -	\$ 0.0033
Total Expenses	\$ 0.0167	\$ 0.0953	\$ 0.0409	\$ 0.0978	\$ -	\$ 0.1573

Bullion Products

The United States Mint mints and issues gold, silver and platinum bullion coins to authorized purchasers through the American Eagle Bullion Coin and American Buffalo Bullion Coin Programs. The bureau purchases precious metal on the open market at the time of an order. Coins are sold to authorized purchasers at the same market price paid for the metal plus a premium to cover bullion program operating costs. Authorized purchasers agree to maintain an open, two-way market for these coins, assuring their liquidity. This allows the public to purchase and sell coins at the prevailing market price, adjusting for any premium the authorized purchaser applies. The purpose of the bullion program is to make precious metal coins available at minimal cost to investors. Consequently, the United States Mint manages the bullion program to a nominal net margin.

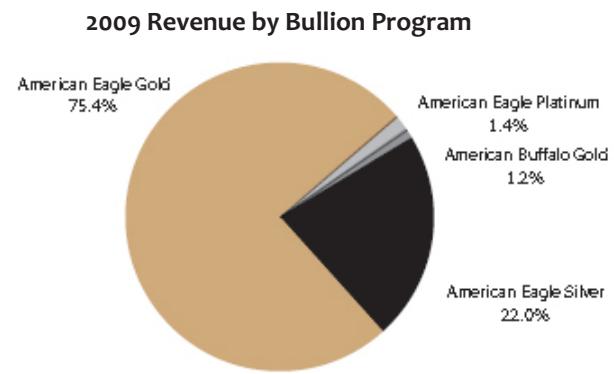
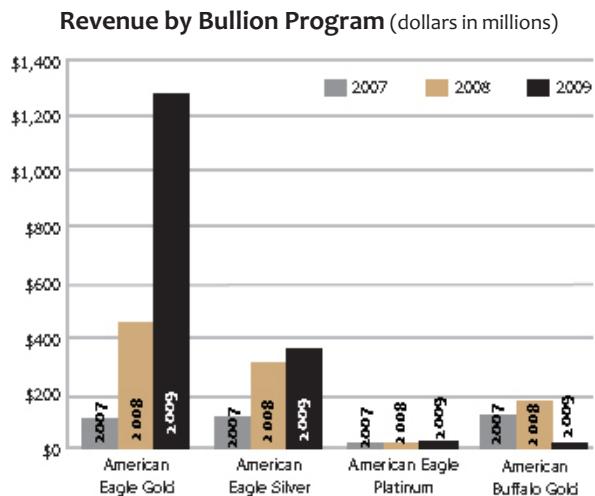
FY 2009 RESULTS Uncertainty surrounding traditional investments and concerns about future inflation drove investor demand for bullion coins to exceptional highs in FY 2009. After declining at the close of FY 2008, precious metal market prices rose steadily during FY 2009. As of September 30, the market price of gold, silver and platinum increased 12.6 percent, 26.9 percent and 28.2 percent, respectively, from 2008 to 2009.

The United States Mint sold 27.6 million ounces of gold, silver and platinum bullion coins in FY 2009, up 9.2 million ounces from FY 2008 and a 132.3 percent increase over average annual bullion sales since FY 2005. Accordingly, total bullion revenue reached a record high of \$1,694.8 million in FY 2009, up 78.6 percent from \$948.8 million in FY 2008.

The volume of precious metal planchets the United States Mint's suppliers can timely provide limits the number of bullion products the bureau can produce and sell. In FY 2009, the United States Mint was initially unable to acquire sufficient planchets to satisfy the unprecedented investor demand for bullion coins. Standard allocation and ordering limits were set so that scarce products were equitably distributed among authorized purchasers. To address supply constraints, the United States Mint allocated all available planchet supply to production of 22-karat gold and silver one-ounce bullion coins. The United States Mint also diverted planchets from discretionary numismatic and bullion programs, increased production capacity and worked with suppliers to expand planchet supply. Consequently, the bureau expanded bullion planchet supply from previous levels of eight to ten million ounces annually to over 27 million ounces in FY 2009. While demand remained strong, the United States Mint was able to lift allocation and ordering limits and satisfy all investor demand for 22-karat gold and silver one-ounce bullion coins in June 2009.

BULLION (dollars in millions)

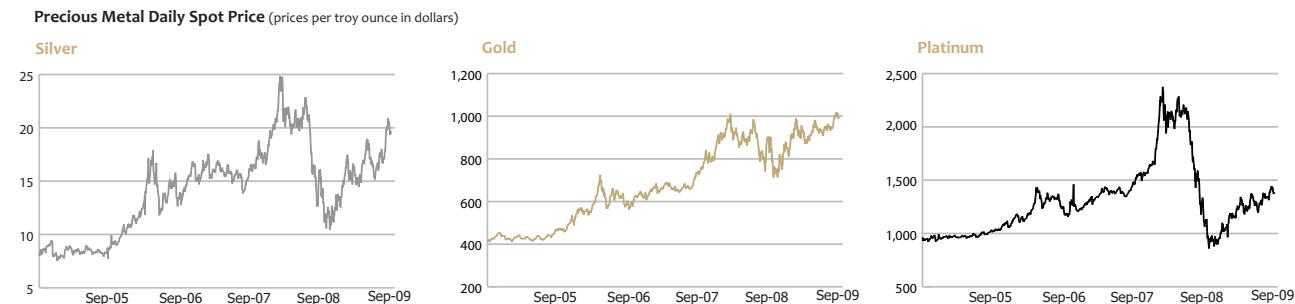
	2009	2008	2007	2006	2005	% Change 2008 to 2009
Sales Revenue	\$ 1,694.8	\$ 948.8	\$ 356.1	\$ 536.6	\$ 270.7	78.6%
Gross Cost	\$ 1,662.1	\$ 931.0	\$ 351.6	\$ 524.4	\$ 265.2	78.5%
Cost of Goods Sold	\$ 1,650.0	\$ 922.6	\$ 350.0	\$ 523.0	\$ 264.4	78.8%
Sales, General & Administrative	\$ 12.1	\$ 8.4	\$ 1.6	\$ 1.4	\$ 0.8	44.0%
Net Income	\$ 32.7	\$ 17.8	\$ 4.5	\$ 12.2	\$ 5.5	83.7%
Bullion Net Margin	1.9%	1.9%	1.3%	2.3%	2.0%	



High sales volumes drove gross cost up to \$1,662.1 million in FY 2009 from \$931.0 million in FY 2008. Cost of goods sold (COGS) increased to \$1,650.0 million in FY 2009 from \$922.6 million last year but made up the same portion of total sales revenue. Bullion sales generated a larger portion of the United States Mint's total earnings. Consequently, a greater portion of sales, general and administrative (SG&A) expenses was allocated to the bullion program in FY 2009. Bullion SG&A increased to \$12.1 million in FY 2009 from \$8.4 million last year. Bullion net income increased 83.7 percent to \$32.7 million in FY 2009 from \$17.8 million in FY 2008. The bullion program was successfully managed to just below the standard net margin of two percent.

AMERICAN EAGLE PROGRAM The United States Mint devoted precious metal planchet supply to production of American Eagle 22-karat gold and silver one-ounce coins in FY 2009. Consequently, sales of these coins drove most of the revenue growth in FY 2009. American Eagle 22-karat gold bullion sales revenue increased 184.3 percent to \$1,278.2 million from \$449.6 million in FY 2008. Revenue from the sale of all American Eagle 22-karat gold products alone made up 75.4 percent of total bullion sales revenue in FY 2009.

Starting in calendar year 2009, the United States Mint suspended production of American Eagle 22-karat gold fractional denominations (one-half, one-fourth or one-tenth ounces) and all American Eagle platinum coins. The bureau placed priority on production of one-ounce American Eagle gold coins to maximize planchet supply. The United States Mint began fully satisfying demand for the one-ounce coin in June 2009. The bureau began offering American Eagle 22-karat gold fractional denominations for sale in October 2009. There is no statutory requirement for the United States Mint to mint or issue platinum bullion coins.



American Eagle silver bullion sales revenue rose 21.4 percent to \$372.0 million from \$306.4 million last year. Net income from American Eagle gold increased from \$10.2 million in FY 2008 to \$25.5 million in FY 2009. American Eagle silver net income increased to \$6.1 million from \$5.0 million last year.

All American Eagle platinum revenue recorded in FY 2009 resulted from the sale of calendar year 2008 coin inventory in the first quarter. American Eagle platinum sales revenue still increased 5.8 percent to \$23.7 million in FY 2009 from \$22.4 million in FY 2008. Net income for American Eagle platinum coins increased slightly from \$0.9 million to \$1.0 million.

AMERICAN BUFFALO PROGRAM American Buffalo 24-karat gold bullion sales revenue declined considerably in FY 2009 because planchet supply was diverted to the American Eagle gold program. Revenue from the sale of American Buffalo gold coins decreased 87.7 percent to \$20.9 million from \$170.4 million in FY 2008. American Buffalo gold net income fell from \$1.7 million to \$0.1 million.

After fully satisfying demand for American Eagle 22-karat gold one-ounce coins, the United States Mint began acquiring planchets for the American Buffalo program in the fourth quarter of FY 2009. The bureau resumed American Buffalo 24-karat gold one-ounce coin sales in October 2009.

BULLION REVENUE, COST AND NET INCOME OR SEIGNIORAGE BY PROGRAM

(dollars in millions)

FY 2009	American Eagle Gold	American Eagle Silver	American Eagle Platinum	American Buffalo Gold	Total
Sales Revenue	\$ 1,278.2	\$ 372.0	\$ 23.7	\$ 20.9	\$ 1,694.8
Gross Cost	\$ 1,252.7	\$ 365.9	\$ 22.7	\$ 20.8	\$ 1,662.1
Cost of Goods Sold	\$ 1,245.0	\$ 361.9	\$ 22.4	\$ 20.7	\$ 1,650.0
Sales, General & Administrative	\$ 7.7	\$ 4.0	\$ 0.3	\$ 0.1	\$ 12.1
Net Income	\$ 25.5	\$ 6.1	\$ 1.0	\$ 0.1	\$ 32.7
Bullion Net Margin	2.0%	1.6%	4.2%	0.5%	1.9%

FY 2008	American Eagle Gold	American Eagle Silver	American Eagle Platinum	American Buffalo Gold	Total
Sales Revenue	\$ 449.6	\$ 306.4	\$ 22.4	\$ 170.4	\$ 948.8
Gross Cost	\$ 439.4	\$ 301.4	\$ 21.5	\$ 168.7	\$ 931.0
Cost of Goods Sold	\$ 435.3	\$ 299.3	\$ 21.2	\$ 166.8	\$ 922.6
Sales, General & Administrative	\$ 4.1	\$ 2.1	\$ 0.3	\$ 1.9	\$ 8.4
Net Income	\$ 10.2	\$ 5.0	\$ 0.9	\$ 1.7	\$ 17.8
Bullion Net Margin	2.3%	1.6%	4.0%	1.0%	1.9%

FY 2007	American Eagle Gold	American Eagle Silver	American Eagle Platinum	American Buffalo Gold	Total
Sales Revenue	\$ 110.3	\$ 110.2	\$ 18.1	\$ 117.5	\$ 356.1
Gross Cost	\$ 109.1	\$ 109.0	\$ 17.7	\$ 115.8	\$ 351.6
Cost of Goods Sold	\$ 108.7	\$ 108.6	\$ 17.5	\$ 115.2	\$ 350.0
Sales, General & Administrative	\$ 0.4	\$ 0.4	\$ 0.2	\$ 0.6	\$ 1.6
Net Income	\$ 1.2	\$ 1.2	\$ 0.4	\$ 1.7	\$ 4.5
Bullion Net Margin	1.1%	1.1%	2.2%	1.4%	1.3%

Numismatic Products

The United States Mint prepares and distributes a variety of numismatic products directly to the public. The value of sales of numismatic products is considered earned revenue in the financial statements. The net return from numismatic operations is calculated by subtracting the program's gross costs from sales revenue. A main objective of numismatic operations is to keep the sale price of products as low as practicable for customers. The program is managed to a 15 percent net margin overall to ensure sale prices are as low as practicable and returns are sufficient to fund numismatic operating costs.

FY 2009 RESULTS Retail sales of numismatic versions of the United States Mint's circulating and commemorative coins and medals weakened in FY 2009. Numismatic sales revenue plus earned revenue from the sale of circulating coins fell 21.0 percent to \$440.0 million from \$557.2 million last year. The United States Mint offered fewer numismatic products in FY 2009 because precious metal planchets were diverted to the bullion program. Quality issues also delayed or prevented the release of certain annual sets in FY 2009. Additionally, poor economic conditions may have suppressed consumer spending on collectibles as sales of available recurring products declined from prior years.

Lower sales volumes reduced numismatics gross costs 16.0 percent to \$398.9 million from \$474.8 million in FY 2008. Cost of goods sold (COGS) decreased to \$329.7 million but made up a greater portion of numismatic sales revenue. Numismatic sales, general and administrative (SG&A) expenses declined 20.2 percent to \$69.2 million but remained fairly consistent relative to revenue. Weakened demand reduced numismatic program net income and seigniorage to \$41.1 million in FY 2009 from \$82.4 million in FY 2008.

Gross cost made up a greater portion of numismatic sales revenue, reducing the net margin to 9.3 percent in FY 2009 from 14.8 percent in FY 2008. A lower net margin is not directly adverse to the United States Mint's numismatic operations. The reduced margin means that the United States Mint offered numismatic products to customers at lower sales prices than sufficient to achieve the standard 15 percent margin. Prices were set for products assuming a sales revenue distribution comparable to prior fiscal years. However, product unavailability and weakened demand challenged pricing assumptions. Sales volumes shifted in favor of lower margin recurring products and against higher margin precious metal products. Also, fewer products available for sale requires the products that did contribute to the FY 2009 numismatic results to bear more allocated costs and assume more numismatic administrative expenses.

NUMISMATIC (dollars in millions)

	2009	2008	2007	2006	2005	% Change 2008 to 2009
Sales Revenue	\$ 440.0	\$ 557.2	\$ 551.5	\$ 514.9	\$ 355.4	(21.0%)
Gross Cost	\$ 398.9	\$ 474.8	\$ 475.6	\$ 427.7	\$ 258.9	(16.0%)
Cost of Goods Sold	\$ 329.7	\$ 388.1	\$ 396.7	\$ 346.2	\$ 180.1	(15.0%)
Sales, General & Administrative	\$ 69.2	\$ 86.7	\$ 78.9	\$ 81.5	\$ 78.8	(20.2%)
Net Income & Seigniorage	\$ 41.1	\$ 82.4	\$ 75.9	\$ 87.2	\$ 96.5	(50.1%)
Numismatic Net Margin	9.3%	14.8%	13.8%	16.9%	27.2%	
Seigniorage Portion	\$ 19.3	\$ 22.5	\$ 27.1	\$ 13.9	\$ 23.3	(14.2%)



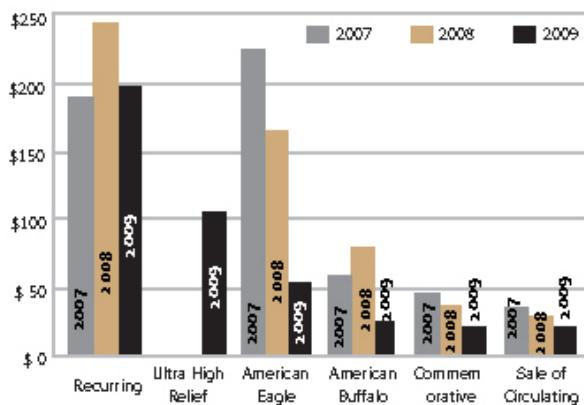
Automated laser engraving machines cut edge lettering into tooling, which is later used to press lettering onto the edge of coins.

GOLD AND PLATINUM PRODUCT PRICING In January 2009, the United States Mint implemented a new strategy for pricing numismatic products containing gold and platinum. Previously, volatile precious metal markets forced the bureau to haphazardly suspend sales and re-price products whenever a product price diverged significantly from the market price. The new strategy includes an itemized pricing structure for gold and platinum numismatic products. The structure indicates prices for each product based on a range of the average weekly market price for gold and platinum. If the market value moves to a higher or lower range, product prices will increase or decrease in corresponding increments. The new strategy is more transparent and responsive to changes in market prices.

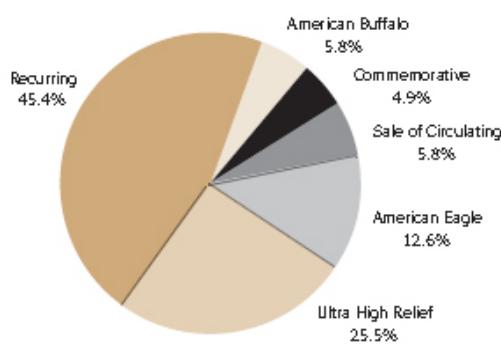
RECURRING PROGRAMS Recurring programs include high quality, specially presented products based on the Nation's circulating coinage. These products include the United States Mint Proof Set™, the United States Mint Silver Proof Set™, the United States Mint Uncirculated Coin Set™ and the United States Mint Presidential \$1 Coin Proof Set. Revenue from recurring programs decreased 18.6 percent to \$199.8 million in FY 2009 from \$245.5 million in FY 2008. Lower sales volumes reduced net income 49.0 percent from \$19.4 million in FY 2008 to \$9.9 million in FY 2009.

Sales revenue from recurring programs declined, in part, because of quality issues the United States Mint encountered with the 2009 Lincoln Bicentennial One-Cent Coin Program. In compliance with the program's authorizing legislation, the bureau included numismatic one-cent coins with the exact metallic content of the 1909 penny in the United States Mint 2009 Proof Set and

Revenue by Numismatic Program (dollars in millions)



2009 Revenue by Numismatic Program



2009 United States Mint Uncirculated Coin Set. The 95 percent copper alloy one-cent coins were highly susceptible to tarnishing. The United States Mint delayed release of the annual sets to address the quality defects. The United States Mint 2009 Uncirculated Coin Set was not released for sale until FY 2010. Consequently, revenue from uncirculated set sales alone fell 76.9 percent from \$30.3 million in FY 2008 to approximately \$7.0 million in FY 2009.

2009 ULTRA HIGH RELIEF DOUBLE EAGLE GOLD COIN Sales of the 2009 Ultra High Relief Double Eagle Gold Coin began on January 22, 2009, and generated \$112.4 million in revenue in FY 2009. The 2009, Ultra High Relief Double Eagle Gold Coin was the highest revenue generating numismatic product, contributing 25.5 percent of total sales revenue in FY 2009. The product's sales helped offset declining revenue in other collectible precious metal programs because of product unavailability. Net income from the sale of the 2009 Ultra High Relief Double Eagle Gold Coin totaled \$6.4 million in FY 2009.

Minor costs incurred for the 2009 Ultra High Relief Double Eagle Gold Coin in FY 2008 were grouped with the American Buffalo program in the FY 2008 annual report. FY 2008 American Buffalo program costs and earnings are restated net of 2009 Ultra High Relief Double Eagle Gold Coin costs in this report.

AMERICAN EAGLE PROGRAM American Eagle gold, silver and platinum coins are offered in proof and uncirculated quality as part of the numismatic program. In FY 2009, the United States Mint suspended production of American Eagle numismatic products to divert precious metal planchet supply to bullion coin production. Because of product unavailability, revenue from the sale of American Eagle products fell 66.8 percent to \$55.1 million in FY 2009 from \$166.0 million in FY 2008. All revenue recorded in FY 2009 resulted from the sale of calendar year 2008 American Eagle numismatic products in the initial two quarters of FY 2009. American Eagle program net income fell from \$28.6 million to \$5.2 million in FY 2009.

AMERICAN BUFFALO PROGRAM As with the American Eagle program, the United States Mint temporarily ceased production of American Buffalo gold numismatic products in FY 2009. As a result of product unavailability, revenue from American Buffalo products sales fell 67.4 percent to \$25.7 million in FY 2009 from \$78.8 million in FY 2008. American Buffalo program net income fell to \$1.5 million in FY 2009 from \$7.8 million last year.



Once proof set lenses are assembled, a case packer automatically inserts them into 2009 United States Mint Proof Set boxes.

The United States Mint began acquiring planchets for the numismatic program in the fourth quarter of FY 2009. The bureau resumed sales of the American Buffalo gold proof one-ounce coin and the American Eagle platinum proof one-ounce coin in October 2009.

COMMEMORATIVE COIN PROGRAMS Revenue from the sale of commemorative coins, less surcharges paid to recipient organizations, fell to \$21.6 million in FY 2009 from \$37.3 million in FY 2008. Two commemorative programs were launched in FY 2009. The Abraham Lincoln Commemorative Silver Dollar Program generated \$16.5 million in revenue and \$4.5 million in eligible surcharges for the recipient organization. The Louis Braille Bicentennial–Braille Literacy Silver Dollar Program generated \$6.8 million in revenue and \$1.9 million in eligible surcharges for the recipient organization.

Commemorative coins programs are managed on a calendar year basis. FY 2009 figures include results from the American Bald Eagle Recovery and National Emblem Commemorative Coin Program, initiated in calendar year 2008. Truncating program results to fiscal years can result in negative net income even though no single commemorative coin program generated a loss.

NUMISMATIC SALES OF CIRCULATING COINAGE The United States Mint sells certain circulating coins through numismatic channels. Revenue from these sales is recognized as the face value of circulating coin sold in the same way as circulating sales to the FRB. The total face value from the sale of circulating coinage fell 14.2 percent to \$25.4 million in FY 2009 from \$29.6 million in FY 2008. Seigniorage from the numismatic sale of circulating coins is transferred to the Treasury General Fund as off-budget receipts. Seigniorage decreased to \$19.3 million in FY 2009 from \$22.5 million last year.



\$1 coin blanks
are inspected
and then
transported
to the next
step in the
Manufacturing
process —
Annealing —
which uses
heat to
soften blanks.

NUMISMATIC REVENUE, COST AND NET INCOME OR SEIGNIORAGE BY PROGRAM
(dollars in millions)

FY 2009	Recurring	Ultra High Relief	American Eagle	American Buffalo	Commemorative	Numismatic Sale of Circulating	Total
Sales Revenue	\$ 199.8	\$ 112.4	\$ 55.1	\$ 25.7	\$ 21.6	\$ 25.4	\$ 440.0
Gross Cost	\$ 189.9	\$ 106.0	\$ 49.9	\$ 24.2	\$ 22.8	\$ 6.1	\$ 398.9
Cost of Goods Sold	\$ 152.9	\$ 88.9	\$ 43.6	\$ 21.9	\$ 19.1	\$ 3.3	\$ 329.7
Sales, General & Administrative	\$ 37.0	\$ 17.1	\$ 6.3	\$ 2.3	\$ 3.7	\$ 2.8	\$ 69.2
Net Income/Seigniorage	\$ 9.9	\$ 6.4	\$ 5.2	\$ 1.5	\$ (1.2)	\$ 19.3	\$ 41.1
Numismatic Net Margin	5.0%	5.7%	9.4%	5.8%	(5.6%)	76.0%	9.3%

FY 2008	Recurring	Ultra High Relief	American Eagle	American Buffalo	Commemorative	Numismatic Sale of Circulating	Total
Sales Revenue	\$ 245.5	\$ 0.0	\$ 166.0	\$ 78.8	\$ 37.3	\$ 29.6	\$ 557.2
Gross Cost	\$ 226.1	\$ 0.3	\$ 137.4	\$ 71.0	\$ 32.9	\$ 7.1	\$ 474.8
Cost of Goods Sold	\$ 174.8	\$ 0.1	\$ 117.1	\$ 64.7	\$ 27.6	\$ 3.8	\$ 388.1
Sales, General & Administrative	\$ 51.3	\$ 0.2	\$ 20.3	\$ 6.3	\$ 5.3	\$ 3.3	\$ 86.7
Net Income/Seigniorage	\$ 19.4	\$ (0.3)	\$ 28.6	\$ 7.8	\$ 4.4	\$ 22.5	\$ 82.4
Numismatic Net Margin	7.9%	—	17.2%	9.9%	11.8%	76.0%	14.8%

FY 2007	Recurring	Ultra High Relief	American Eagle	American Buffalo	Commemorative	Numismatic Sale of Circulating	Total
Sales Revenue	\$ 189.8	\$ —	\$ 220.1	\$ 59.9	\$ 45.6	\$ 36.1	\$ 551.5
Gross Cost	\$ 181.5	\$ —	\$ 190.5	\$ 54.3	\$ 40.3	\$ 9.0	\$ 475.6
Cost of Goods Sold	\$ 134.6	\$ —	\$ 171.0	\$ 50.3	\$ 35.8	\$ 5.0	\$ 396.7
Sales, General & Administrative	\$ 46.9	\$ —	\$ 19.5	\$ 4.0	\$ 4.5	\$ 4.0	\$ 78.9
Net Income/Seigniorage	\$ 8.3	\$ —	\$ 29.6	\$ 5.6	\$ 5.3	\$ 27.1	\$ 75.9
Numismatic Net Margin	4.4%	—	13.4%	9.3%	11.6%	75.1%	13.8%

Transfer to the Treasury General Fund

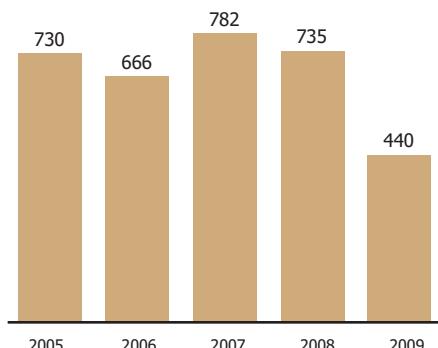
As required by Public Law 104-52, the United States Mint deposits all receipts from operations and programs into the United States Mint Public Enterprise Fund (PEF). Periodically throughout the year, the bureau transfers amounts in the PEF determined to be in excess of required financing sources to the Treasury General Fund. The PEF retains amounts required to support ongoing United States Mint operations and programs.

The United States Mint's operations yielded considerably lower returns in FY 2009 compared to prior fiscal years. Circulating receipts historically generate the vast majority of the PEF's transfer to the Treasury General Fund. Low demand for newly minted circulating coins in FY 2009 generated significantly lower seigniorage amounts for the PEF. Consequently, the United States Mint PEF generated a \$475.0 million return to the Treasury General Fund, a 36.7 percent decrease from the \$750.0 million return transferred in FY 2008.

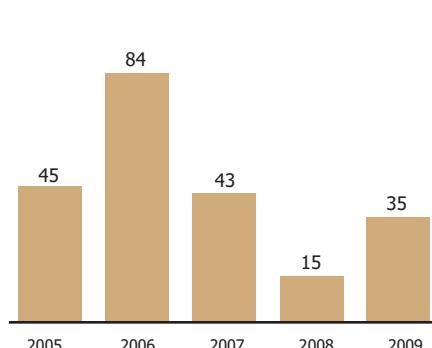
OFF-BUDGET TRANSFER The off-budget transfer is seigniorage, the financing source resulting from the sale of circulating coins. Seigniorage arises from the Federal Government exercising its sovereign power to create money. The President's Budget excludes the off-budget transfer from receipts and treats it as a means of financing the national debt. The comparatively low level of seigniorage generated in FY 2009 reduced the off-budget transfer 40.1 percent to \$440.0 million from \$735.0 million in FY 2008.

ON-BUDGET TRANSFER The on-budget transfer consists of the prior fiscal year net revenue from operations (excluding seigniorage). This represents numismatic (including bullion) net program revenues less the net cost of protection of assets. The United States Mint retains the net revenue from the prior fiscal year operations pending the completion of the financial statements audit. Until that time, the amount is considered permanently not available as a funding source for PEF operations. The on-budget transfer is treated as receipts and available to reduce the deficit or fund current Federal Government operations or programs. Resulting from FY 2008 net revenue from operations, the FY 2009 on-budget transfer totaled \$35.0 million. The FY 2008 on-budget transfer from FY 2007 net revenue from operations totaled \$15.0 million.

Off-Budget Transfer (dollars in millions)



On-Budget Transfer (dollars in millions)



TRANSFERS TO THE TREASURY GENERAL FUND (dollars in millions)

	2009	2008	2007	2006	2005	% Change 2008 to 2009
On-Budget	\$ 35.0	\$ 15.0	\$ 43.0	\$ 84.0	\$ 45.0	133.3%
Off-Budget	\$ 440.0	\$ 735.0	\$ 782.0	\$ 666.0	\$ 730.0	(40.1%)
Total Transfer	\$ 475.0	\$ 750.0	\$ 825.0	\$ 750.0	\$ 775.0	(36.7%)

Performance Goals, Objectives and Results

As mandated by the Government Performance & Results Act (GPRA) of 1993, agencies are to identify critical activities, devise pertinent performance measures, and report on these activities to the President and Congress. In FY 2008, the United States Mint developed new strategic goals focused on brand identity, product portfolio, artistic excellence, improving efficiency, and developing an optimal workforce. The organization's progress in achieving each of these goals was presented in earlier sections in this report. To assess performance on primary budget activities, the United States Mint monitors seven key performance measures.

CUSTOMER SATISFACTION INDEX (CSI) The United States Mint conducts a quarterly Customer Satisfaction Measure Tracking Survey among a random sample of active customers. The survey is intended to capture customer satisfaction with the United States Mint's performance as a coin supplier and the quality of specific numismatic products. CSI is a single quantitative score of survey results.

CSI was 88.3 percent in FY 2009, exceeding the target of 88.0 percent and increasing slightly from the FY 2008 result of 87.5 percent. Customer satisfaction with product quality remained strong with 96.1 percent of respondents highly satisfied with the quality of products. About 80.5 percent of respondents reported high overall satisfaction with the United States Mint's performance as a coin supplier, up somewhat from 79.5 percent in FY 2008.

The United States Mint expects to improve upon customer service in FY 2010 by continuing to monitor the bureau's call center and order fulfillment system to maintain and exceed standards of service. The bureau is also implementing an initiative to integrate and consolidate the United States Mint's public information and e-commerce catalog sites. The improved single Web site will be easier for customers to navigate and obtain desired information.

NUMISMATIC CUSTOMER BASE The numismatic customer base consists of the total number of unique purchasers within a fiscal year. A unique purchaser consists of an account number and address and name combination without a prior purchase in the fiscal year.

The numismatic customer based totaled 1.06 million in FY 2009, below the target of 1.40 million. The United States Mint customer retention and acquisition performance declined because the bureau was unable to offer several core numismatic products for sale after January 2009. Economic conditions may have also curtailed customer spending on collectibles from prior years.

The United States Mint began to fully satisfy bullion demand in the later months of the fiscal year. Consequently, the bureau hopes to offer some numismatic products for sale in FY 2010 that were unavailable in FY 2009. The United States Mint is also planning a national advertising campaign and outreach related to the upcoming America the Beautiful Quarters™ Program and America the Beautiful Silver Bullion Coins™ Program in FY 2010.



Circulating coins are stored in bulk bags prior to and during shipment to the Federal Reserve Banks. The United States Mint Police safeguards coins and all other assets held at the facilities.

NUMISMATIC NET MARGIN Numismatic net margin is the return to numismatic operations, calculated as program net income divided by total program sales revenue. The general statutory framework for the sale of United States Mint numismatic items provides for cost recovery (i.e., avoiding any indirect taxpayer burden on these programs). Therefore, the numismatic program is managed to a 15 percent net margin to ensure sale prices are as low as practicable and returns are sufficient to fund numismatic operating costs.



Administrative and oversight functions are performed at the United States Mint Headquarters in Washington, D.C.

Numismatic net margin was 9.3 percent in FY 2009, below the target of 15 percent. Precious metal supply constraints prevented the United States Mint from selling some of its core numismatic products in FY 2009, significantly inhibiting the bureau's ability to meet the net margin target. A reduced margin means that the bureau offered numismatic products to customers at lower sales prices than sufficient to achieve the 15 percent margin. This is not an unfavorable result for the United States Mint's numismatic operations. The United States Mint will review pricing practices in FY 2010 to ensure that numismatic sales revenue is sufficient to fund long-term operations while also maintaining reasonable prices for customers.

SEIGNIORAGE PER DOLLAR ISSUED Seigniorage per dollar issued is the return to circulating operations, calculated as seigniorage divided by the total face value of circulated coinage shipped to Federal Reserve Banks (FRB).

Seigniorage per dollar issued was \$0.55 in FY 2009, above the target of \$0.54. Weakened demand reduced the United States Mint's return from circulating operations in FY 2009. Base metal expenses and the mix of circulating coin ordered by the FRB largely determine seigniorage per dollar issued performance. Toward the end of FY 2009, market prices for copper, nickel and zinc all started to increase to FY 2007 levels. The United States Mint expects production volumes to remain low in FY 2010.

PRODUCTION PERCENT DEVIATION FROM NET PAY Production percent deviation from net pay is the absolute value of the percent fiscal year total circulating coin production varies from the total net pay less any FRB inventory adjustment. The United States Mint is responsible for providing the Nation's coinage in sufficient quantity to meet the needs of commerce. The FRB is responsible for distributing coinage to the commercial banking sector. To accomplish its mission, the FRB maintains coin inventories, which commercial banks can withdraw from or deposit into. The difference between coins withdrawn and coins deposited is referred to as net-pay and represents the demand for coinage. To ensure inventories are adequate to meet demand, the United States Mint produces coinage in sufficient quantities to replenish the system. The deviation of circulating coin production from net pay indicates how well the United States Mint fulfills its core mission of minting and issuing coins to enable commerce.

BUDGET PERFORMANCE MEASURES

	2009 Result	2009 Target	2008	2007	2006	2005
Customer Satisfaction Index (CSI)	88.3%	88.0%	87.5%	90.5%	90.5%	n/a
Numismatic Customer Base	1.06 million	1.40 million	1.27 million	0.97 million	n/a	n/a
Numismatic Net Margin	9%	15%	15%	14%	17%	27%
Seigniorage per Dollar Issued	\$ 0.55	\$ 0.54	\$ 0.55	\$ 0.58	\$ 0.53	\$ 0.61
Production Percent Deviation from Net Pay	6.5%	Baseline	n/a	n/a	n/a	n/a
Protection Cost per Square Foot	\$ 31.57	\$ 31.75	\$ 31.76	31.29	32.49	32.43
Employee Confidence in Protection	81%	83%	81%	81%	82%	84%

Total production deviated 6.5 percent from net pay in FY 2009. This was a baseline year for the performance measure so no target was set. Monthly net-pay figures remained at 30-year lows for nearly all denominations. In the first quarter of FY 2009, the FRB significantly reduced forecasted orders for the remainder of the fiscal year. The United States Mint cut production accordingly.

PROTECTION COST PER SQUARE FOOT Protection cost per square foot is the Protection Department's total operating cost divided by the area of usable space of the United States Mint. Usable space is defined as 90% of total square footage. Operating costs exclude depreciation. Total square footage of usable space is relatively constant and only changes because of major events such as the addition or removal of a facility. The measure indicates the Protection Department's cost efficiency in safeguarding United States Mint facilities, employees and assets.

Protection cost per square foot decreased to \$31.57 in FY 2009 from \$31.76 last year. The FY 2009 result was \$0.18 below the target of \$31.75. The Protection Department reduced total operating cost by approximately \$250,000 (0.6 percent) from FY 2008 by curtailing expenses for other services and supplies and materials. The Protection Department will continue efforts to contain costs while fulfilling protection responsibilities in FY 2010.

EMPLOYEE CONFIDENCE IN PROTECTION The Protection Department is responsible for providing a safe and secure workplace for United States Mint employees. The Employee Confidence in Protection measure indicates how well the Protection Department is achieving this objective. It is the percentage of United States Mint employees reporting a favorable response to their confidence in the Protection Department's performance in safeguarding United States Mint assets and assets in the custody of the United States Mint.

Survey results indicated that 81 percent of employees reported confidence in the Protection Department's ability to safeguard the United States Mint in FY 2009. This was consistent with FY 2008 performance but below the 83 percent target.

The Protection Department is working to automate employee entry and exit at all United States Mint facilities. This is the most visible role that police officers play in the typical workday of most employees. The Protection Department plans to increase communication about these and other efforts that the police officers undertake to serve and protect employees while safeguarding assets under United States Mint control.

Analysis of Systems, Controls and Legal Compliance

The United States Mint is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with laws and regulations. The United States Mint has made a conscious effort to meet the internal control requirements of the Federal Manager's Financial Integrity Act (FMFIA), the Federal Financial Management Improvement Act (FFMIA), the Office of Management and Budget (OMB) Circular A-123, and the Reports Consolidation Act of 2000. The organizations under the United States Mint's purview are operating in accordance with the procedures and standards prescribed by the Comptroller General and OMB guidelines.

The systems of management controls for the United States Mint are designed to ensure that:

- a) programs achieve their intended results;
- b) resources are used consistent with overall mission;
- c) programs and resources are free from waste, fraud and mismanagement;
- d) laws and regulations are followed;
- e) controls are sufficient to minimize any improper or erroneous payments;
- f) performance information is reliable;
- g) systems security is in substantial compliance with all relevant requirements;
- h) continuity of operations planning in critical areas is sufficient to reduce risk to reasonable levels; and
- i) financial management systems are in compliance with Federal financial systems standards, i.e., FMFIA Section 4 and FFMIA.

For all United States Mint responsibilities, we provide herein unqualified assurance that the above listed management control objectives, taken as a whole, were achieved by our organization during FY 2009. Specifically, this assurance is provided relative to Sections 2 and 4 of the FMFIA. We further assure that our financial management systems are in substantial compliance with requirements imposed by the FFMIA.

In 2009, we conducted the mandatory Department of the Treasury evaluation of the effectiveness of the United States Mint's internal controls over financial reporting in accordance with OMB Circular A-123, Management's Responsibility for Internal Control, Appendix A. Based on the results of this evaluation, the United States Mint can provide unqualified assurance that internal control over financial reporting as of June 30, 2009, is operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

In addition, the United States Mint has committed to maintaining effective internal control as demonstrated by the following actions:

- Annual audits of the United States Mint’s financial statements pursuant to the Chief Financial Officers Act, as amended, including a) information revealed in preparing the financial statements; b) auditor’s reports on the financial statements; c) internal controls and compliance with laws and regulations and other materials related to preparing financial statements.
- Tracking and closure of corrective actions identified in the Financial Statement Audit and A-123 Assessment.
- Annual mandatory internal control training for all executives, managers and supervisors as part of the United States Mint Leadership Development Program.
- Internal management and program reviews conducted for the purpose of assessing management controls.
- Annual Action Items developed by the United States Mint’s executive team to implement organization-wide initiatives and promote internal efficiencies, cultural accountability and greater public awareness.
- Reviews of financial systems for requirements compliance in conjunction with OMB Circular A-127 and FFMIA.
- Reviews of systems, applications and contingency plans conducted pursuant to the Computer Security Act of 1987 (40 U.S.C. § 759 note) and OMB Circular A-130, Management of Federal Information Resources.
- Annual assessments, reviews and reporting performed in compliance with the Improper Payment Information Act (IPIA).
- Reviews and reporting in compliance with the Federal Information Security Management Act (FISMA).

The United States Mint has made significant improvement in implementing internal control over financial reporting. Last year we reported one material weakness surrounding “Inventory and Related Property.” This year, because of the implementation of comprehensive corrective actions and the enforcement of internal controls by management, the United States Mint downgraded the classification of Inventory and Related Property to a significant deficiency based on FY 2009 testing. The United States Mint is committed to continue to monitor and improve its internal controls throughout the entire organization.

Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the United States Mint, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements have been prepared from the books and records of the United States Mint in accordance with generally accepted accounting principles for Federal entities and the formats prescribe by the OMB. The statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the United States Government.



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

Inspector General
United States Department of the Treasury

Director
United States Mint:

We have audited the accompanying balance sheets of the United States Mint as of September 30, 2009 and 2008, and the related statements of net cost, changes in net position, and combined statements of budgetary resources (hereinafter referred to as "financial statements") for the years then ended. These financial statements are the responsibility of the United States Mint's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the United States Mint's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United States Mint as of September 30, 2009 and 2008, and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with U.S. generally accepted accounting principles.

The information in the Management's Discussion and Analysis, and Required Supplementary Information, is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 24, 2009, on our consideration of the United States Mint's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

KPMG LLP

November 24, 2009

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss corporation.

DEPARTMENT OF THE TREASURY UNITED STATES MINT
BALANCE SHEETS

(dollars in thousands)

	As of September 30,	
	2009	2008
Assets		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	\$ 429,476	\$ 303,386
Accounts Receivable, Net (Note 4)	406	399
Advances and Prepayments (Note 5)	2,877	4,292
Total Intragovernmental Assets	<u>432,759</u>	<u>308,077</u>
Custodial Gold and Silver Reserves (Notes 2 and 6)	10,493,740	10,493,740
Accounts Receivable, Net (Note 4)	6,890	23,411
Inventory (Notes 7 and 20)	354,900	470,957
Supplies	16,815	16,206
Property, Plant and Equipment, Net (Note 8)	200,148	207,634
Advances and Prepayments (Note 5)	2	4,656
Total Non-Intragovernmental Assets	<u>\$ 11,072,495</u>	<u>\$ 11,216,604</u>
Total Assets (Notes 2 and 14)	<u>\$ 11,505,254</u>	<u>\$ 11,524,681</u>
Heritage Assets (Note 9)		
Liabilities		
Intragovernmental:		
Accounts Payable	\$ 5,597	\$ 6,425
Accrued Workers' Compensation and Benefits	7,831	7,259
Total Intragovernmental Liabilities	<u>13,428</u>	<u>13,684</u>
Custodial Liability to Treasury (Notes 2 and 6)	10,493,740	10,493,740
Accounts Payable	41,697	42,562
Surcharges Payable (Note 3)	7,330	11,314
Accrued Payroll and Benefits	17,409	16,635
Other Actuarial Liabilities	25,380	29,349
Unearned Revenue	1,710	11,023
Deposit Fund Liability	25	-
Total Non-Intragovernmental Liabilities	<u>\$ 10,587,291</u>	<u>\$ 10,604,623</u>
Total Liabilities (Notes 10 and 14)	<u>\$ 10,600,719</u>	<u>\$ 10,618,307</u>
Commitments and Contingencies (Notes 12 and 13)		
Net Position		
Cumulative Results of Operations - Earmarked Funds (Note 14)	904,535	906,374
Total Liabilities and Net Position	<u>\$ 11,505,254</u>	<u>\$ 11,524,681</u>

The accompanying notes are an integral part of these financial statements.

**DEPARTMENT OF THE TREASURY UNITED STATES MINT
STATEMENTS OF NET COST**

(dollars in thousands)

For the years ended September 30,
2009 2008

Numismatic Production and Sales

Gross Cost	\$ 2,054,905	\$ 1,398,624
Less Earned Revenue	(2,109,436)	(1,476,433)
Net Program Revenue	(54,531)	(77,809)

Numismatic Production and Sales of Circulating Coins

Gross Cost	6,145	7,128
Less Earned Revenue	(6,145)	(7,128)
Net Program Revenue	—	—

Circulating Production and Sales

Gross Cost	349,843	588,308
Less Earned Revenue	(349,843)	(588,308)
Net Program Revenue	—	—

Net Revenue Before Protection of Assets	(54,531)	(77,809)
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Protection of Assets

Protection Costs	41,102	41,000
Net Cost of Protection Assets	41,102	41,000

Net Revenue from Operations (Notes 14 and 15)	\$ (13,429)	\$ (36,809)
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The accompanying notes are an integral part of these financial statements.

**DEPARTMENT OF THE TREASURY UNITED STATES MINT
STATEMENTS OF CHANGES IN NET POSITION**

(dollars in thousands)

For the years ended September 30,
2009 2008

Cumulative Results of Operations

Net Position, Beginning of Year - Earmarked Funds (Note 14)	\$ 906,374	\$ 877,506
Financing Sources:		
Transfers to the Treasury General Fund On-Budget (Note 19)	(35,000)	(15,000)
Transfers to the Treasury General Fund Off-Budget (Note 19)	(440,000)	(735,000)
Other Financing Sources (Seigniorage) (Note 16)	447,068	728,638
Imputed Financing Sources (Note 11)	11,834	13,421
Transfers in Without Reimbursement	830	–
Total Financing Sources	(15,268)	(7,941)
Net Revenue from Operations	13,429	36,809
Net Position, End of Year - Earmarked Funds (Note 14)	\$ 904,535	\$ 906,374

The accompanying notes are an integral part of these financial statements.

**DEPARTMENT OF THE TREASURY UNITED STATES MINT
STATEMENTS OF BUDGETARY RESOURCES**

(dollars in thousands)

For the years ended September 30,
2009 2008

Budgetary Resources

Unobligated balance, brought forward October 1	\$ 50,858	\$ 53,088
Recoveries of prior-year unpaid obligations	54,939	26,759
Budget authority		
Spending authority from offsetting collections		
Earned		
Collected	2,467,058	2,066,420
Change in receivable from federal sources	7	476
Change in unfilled customer orders		
Advance received	(9,313)	8,976
Without advance from federal sources	(369)	741
Subtotal	<u>2,457,383</u>	<u>2,076,613</u>
Permanently not available	(35,000)	(15,000)
Total Budgetary Resources	\$ 2,528,180	\$ 2,141,460

Status of Budgetary Resources

Obligations incurred		
Reimbursable (Note 17)	\$ 2,282,497	\$ 2,090,602
Unobligated balances		
Apportioned	245,683	50,858
Total Status of Budgetary Resources	\$ 2,528,180	\$ 2,141,460

Change in Obligated Balances

Obligated balance, net		
Unpaid obligations, brought forward, October 1	\$ 259,645	\$ 208,543
Less: Uncollected customer payments from federal sources,		
brought forward, October 1	(7,117)	(5,900)
Total unpaid obligated balance, net	<u>252,528</u>	<u>202,643</u>
Obligations incurred, net (Note 17)	2,282,497	2,090,602
Gross outlays	(2,296,680)	(2,012,741)
Recoveries of prior-year unpaid obligations, actual	(54,939)	(26,759)
Change in uncollected customer payments from federal sources	362	(1,217)
Obligated balance, net, end of the period		
Unpaid obligations	190,523	259,645
Uncollected customer payments from federal sources	(6,755)	(7,117)
Total unpaid obligated balance, net, end of period	<u>183,768</u>	<u>252,528</u>

Net Outlays

Net outlays		
Gross outlays	2,296,680	2,012,741
Collections	(2,457,745)	(2,075,396)
Total Outlays	\$ (161,065)	\$ (62,655)

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

For the Years Ended September 30, 2009 and 2008

(dollars are in thousands except Fine Troy Ounce information)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY Established in 1792, the United States Mint is a bureau of the Department of the Treasury (Treasury). The mission of the United States Mint is as follows: The men and women of the United States Mint serve the Nation by exclusively and efficiently creating the highest quality, most beautiful and inspiring coins and medals that: enable commerce; reflect American values; advance artistic excellence; educate the public by commemorating people, places and events; and fulfill retail demand for coins. Numismatic products include medals; proof coins; uncirculated coins; platinum, gold, and silver bullion coins; and commemorative coins. Custodial assets consist of the Treasury-owned gold and silver bullion reserves. These custodial reserves are often referred to as “deep storage” and “working stock,” and are reported on the Balance Sheet.

The production of numismatic products is financed through sales to the public. The production of circulating coinage is financed through sales of coins at face value to the Federal Reserve Banks (FRB). Additionally, the United States Mint sells certain circulating products directly to the public as numismatic items. Activities related to protection of Treasury-owned custodial assets are funded by the United States Mint Public Enterprise Fund (PEF).

Pursuant to Public Law (P.L.) 104-52, *Treasury, Postal Service, and General Government Appropriation Act for FY 1996*, as codified at 31 U.S.C. § 5136, the PEF was established to account for all receipts and expenses related to production and sale of numismatic items and circulating coinage, as well as protection activities. Expenses accounted for in the PEF include the entire cost of operating the United States Mint, from the purchase of raw materials to the salaries of personnel. Any amount in the PEF that is determined to be in excess of the amount required by the PEF shall be transferred to the Treasury General Fund.

Treasury’s Bullion Fund (Bullion Fund) is used to account for Treasury-owned gold and silver reserves. A separate Schedule of Custodial Deep Storage Gold and Silver Reserves has been prepared for the deep storage portion of the Treasury-owned gold and silver reserves for which the United States Mint acts as custodian.

BASIS OF ACCOUNTING AND PRESENTATION The accompanying financial statements were prepared based on the reporting format promulgated by the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, and in accordance with accounting standards issued by the Federal Accounting Standards Advisory Board (FASAB). The United States Mint’s financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and budgetary resources, as required by 31 U.S.C. § 5136.

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from

those estimates. Accounts subject to estimates include, but are not limited to, depreciation, imputed costs, payroll and benefits, accrued worker's compensation, allowance for uncollectible accounts receivable, and unemployment benefits.

The accompanying financial statements have been prepared on the accrual basis of accounting. Under the accrual method, revenues and other financing sources are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

EARNED REVENUES AND OTHER FINANCING SOURCES (SEIGNIORAGE)

Numismatic Sales: Revenue from numismatic sales to the public is recognized when products are shipped to customers. Prices for numismatic products are based on the product cost plus a reasonable net margin. Bullion coins are priced based on the market price of the precious metals plus a premium to cover manufacturing, marketing and distribution costs.

Numismatic Sales of Circulating Coins: Specially packaged products containing circulating coins are sold directly to the public without first being sold to the FRB. These products are treated as a circulating and numismatic hybrid product.

Circulating Sales: The PEF provides for the sale of circulating coinage at face value to the FRB. Revenue from the sale of circulating coins is recognized when the product is shipped to the FRB. Revenue from the sale of circulating coins to the FRB and numismatic sales of circulating coins to the public is limited to the recovery of the cost of manufacturing and distributing those coins.

Other Financing Source (Seigniorage): Seigniorage equals the face value of newly minted coins less the cost of production (which includes the cost of metal, manufacturing, and transportation). Seigniorage adds to the government's cash balance, but unlike the payment of taxes or other receipts, it does not involve a transfer of financial assets from the public. Instead, it arises from the exercise of the government's sovereign power to create money and the public's desire to hold financial assets in the form of coins. Therefore, the President's Budget excludes seigniorage from receipts and treats it as a means of financing. Seigniorage is recognized when coins are shipped to the FRB in return for deposits to the PEF.

Rental Revenue: The United States Mint sublets office space at cost to other Federal entities in the two leased buildings in Washington, DC. In FY 2009, a lease was signed with a commercial vendor for a portion of the first floor space of the building at 801 9th Street, NW.

FUND BALANCE WITH TREASURY All cash is maintained at the Treasury. Fund Balance with Treasury is the aggregate amount of the United States Mint's cash accounts with the U.S. Government's central accounts and from which the United States Mint is authorized to make expenditures. It is an asset because it represents the United States Mint's claim to U.S. Government resources.

ACCOUNTS RECEIVABLE Accounts receivable are amounts due to the United States Mint from the public and other Federal entities. An allowance for uncollectible accounts receivable is established for all accounts that are more than 180 days past due. However, the United States Mint will continue collection action on those accounts that are more than 180 days past due, as specified by the *Debt Collection Improvement Act of 1996*.

INVENTORIES Inventories of circulating and numismatic coinage that do not contain either gold or silver are valued at the lower of cost or market. Costs of the metal and fabrication components of the inventories are determined using a weighted average inventory methodology. Conversion costs (i.e., the cost to convert the fabricated blank into a finished coin) are valued using a standard cost methodology. The United States Mint uses three classifications for inventory: Raw material (either raw metal or unprocessed coil and blanks); work in process (WIP – material being transformed to finished coins), and finished goods (coins that are packaged or bagged and ready for sale or shipment to the public or the FRB).

TREASURY-OWNED CUSTODIAL GOLD AND SILVER BULLION RESERVES Treasury-owned gold and silver reserves consist of both “deep storage” and “working stock” gold and silver.

Deep Storage is defined as that portion of the Treasury-owned Gold and Silver Bullion Reserve which the United States Mint secures in sealed vaults. Deep storage gold comprises the vast majority of the Bullion Reserve and consists primarily of gold bars. Deep storage silver is also primarily in bar form.

Working Stock is defined as that portion of the Treasury-owned Gold and Silver Bullion Reserve which the United States Mint can use as the raw material for minting coins. Working stock gold comprises only about one percent of the Gold Bullion Reserve and consists of bars, blanks, unsold coins, and condemned coins. Similarly, working stock silver consists of bars, blanks, unsold coins, or condemned coins.

Treasury allows the United States Mint to use some of its gold and silver as working stock. Generally, the United States Mint does not deplete the working stock when used in production. Instead, the United States Mint will purchase a like amount of gold and silver on the open market to replace the working stock used. In those rare cases in which the gold or silver is depleted, the United States Mint reimburses Treasury the current market value of the depleted gold or silver.

SUPPLIES Supplies are items that are not considered inventory and are not a part of the finished product. These items include plant engineering and maintenance supplies, as well as die steel and coin dies. Supplies are accounted for using the consumption method, in which supplies are recognized as assets upon acquisition and expensed as they are consumed.

ADVANCES AND PREPAYMENTS Payments in advance of the receipt of goods and services are recorded as advances and prepaid expenses at the time of prepayment, and are expensed when related goods and services are received.

PROPERTY, PLANT AND EQUIPMENT Property, plant and equipment are valued at cost less accumulated depreciation. The United States Mint’s threshold for capitalizing new property, plant and equipment is \$25,000 for single purchases and \$500,000 for bulk purchases. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets as follows:

Computer Equipment	3 to 5 years
Software	2 to 10 years
Machinery and Equipment	7 to 20 years
Structures, Facilities and Leasehold Improvements	10 to 30 years

Major alterations and renovations are capitalized over the shorter of a 20-year period or the remaining useful life of the asset and depreciated using the straight-line method, while maintenance and repair costs are charged to expense as incurred. There are no restrictions on the use or convertibility of general property, plant and equipment.

HERITAGE ASSETS Heritage assets are items that are unique because of their historical, cultural, educational, or artistic importance. These items are collection type assets that are maintained for exhibition and are preserved indefinitely.

LIABILITIES Liabilities represent actual and estimated amounts likely to be paid as a result of transactions or events that have already occurred. All liabilities covered by budgetary resources can be paid from revenues received by the PEF.

SURCHARGES Legislation authorizing commemorative coin programs often requires that the sales price of each coin includes an amount, called a surcharge, that is authorized to provide funds to a qualifying organization or group of organizations for the purposes specified. A surcharges payable account is established for surcharges collected but not yet paid to designated recipient organizations.

Recipient organizations cannot receive surcharge payments unless all of the United States Mint's operating costs for the coin program are fully recovered. The United States Mint may make interim surcharge payments during a commemorative program if the recipient organization meets the eligibility criteria in the Act, if the recovery of all costs of the program is determinable, and if the United States Mint is assured it is not at risk of a loss. Additionally, recipient organizations must demonstrate that they have raised from private sources an amount equal to or greater than the surcharges collected based on sales. A recipient organization has two years from the end of the program to meet this requirement.

EARMARKED FUNDS Pursuant to P.L. 104-52, the PEF was established as the sole funding source for United States Mint activities. The PEF meets the requirements of an earmarked fund as defined in Statement of Federal Financial Accounting Standard (SFFAS) 27, *Identifying and Reporting Earmarked Funds*. As non-entity and non-PEF assets, the Treasury-owned gold and silver bullion reserves are not considered to be earmarked funds.

UNEARNED REVENUES These are amounts received for numismatic orders which have not yet been shipped to the customer.

RETURN POLICY If for any reason a numismatic customer is dissatisfied, the entire product must be returned within seven days of receiving the order to receive a refund or replacement. Shipping charges are not refunded. Further, the United States Mint will not accept partial returns or issue partial refunds. Historically, the United States Mint receives few returns, which are immaterial. Therefore, no reserve for returns is considered necessary.

SHIPPING AND HANDLING The United States Mint reports shipping and handling costs of circulating coins and numismatic products as a cost of goods sold. General postage costs for handling administrative mailings are reported as part of the United States Mint's general and administrative expenses.

ANNUAL, SICK AND OTHER LEAVE Annual leave is accrued when earned and reduced as leave is taken. The balance in the accrued leave account is calculated using current pay rates. Sick leave and other types of non-vested leave are charged to operating costs as they are used.

ACCRUED WORKERS' COMPENSATION AND OTHER ACTUARIAL LIABILITIES The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to cover Federal civilian employees injured on the job, employees who have incurred a work-related injury or occupational disease, and to pay beneficiaries of employees whose deaths are attributable to job-related injuries or occupational disease. The FECA program is administered by the United States Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from the United States Mint for these paid claims.

The FECA liability is based on two components. The first component is based on actual claims paid by DOL but not yet reimbursed by the United States Mint. There is generally a two-to-three-year time period between payment by DOL and DOL requesting payment from the United States Mint. The second component is the actuarial liability, which estimates the liability for future payments as a result of past events. The actuarial liability includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases.

PROTECTION COSTS Treasury-owned gold and silver reserves are in the custody of the United States Mint, which is responsible for safeguarding the reserves. These costs are borne by the United States Mint, but are not directly related to the circulating or numismatic coining operations of the United States Mint. The Protection Department, which is responsible for safeguarding the reserves, is a separate function from coining operations.

OTHER COST AND EXPENSES (MUTILATED AND UNCURRENT) Other costs and expenses consist primarily of returns of mutilated or uncurrent coins to the United States Mint. Coins that are chipped, fused, and/or not machine-countable are considered mutilated. The United States Mint reimburses the entity that sent in the mutilated coins using weight formulas that estimate the face value of these coins. Uncurrent coins are worn, but machine-countable, and their genuineness and denominations are still recognizable. Uncurrent coins are replaced with new coins of the same denomination by the FRB. The FRB then seeks replacement coins from the United States Mint. All mutilated or uncurrent coins received by the United States Mint are sold to its fabrication contractors to be processed into coils or blanks to be used in future coin production.

TAX EXEMPT STATUS As an agency of the Federal Government, the United States Mint is exempt from all taxes imposed by any governing body, whether it is a Federal, state, commonwealth, local, or foreign government.

CONCENTRATIONS The United States Mint purchases the coil and blanks used in the production of circulating coins from three vendors at competitive market prices. The United States Mint also purchases precious metal blanks from three different suppliers.

CONTINGENT LIABILITIES Certain conditions exist as of the date of the financial statements, which may result in a loss to the government, but which will only be resolved when one or more future events occur or fail to occur. The Mint recognizes a loss contingency when the future outflow or other sacrifice of resources is probable and reasonably estimable. Loss contingencies that are determined by management to have a reasonably possible chance of occurring or that cannot be estimated are included as a footnote to the financial statements. Contingent liabilities considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee is disclosed.

TRANSFERS TO THE TREASURY GENERAL FUND The United States Mint transfers to the Treasury General Fund amounts determined to be in excess of the amounts required for United States Mint's PEF operations and programs. These amounts are generated from the seigniorage

derived from the sale of circulating coins and from net revenues generated from the sale of numismatic products.

Seigniorage is an off-budget receipt to the Treasury General Fund. Off-budget means that these funds cannot be used to reduce the annual budget deficit. Instead, they are used as a financing source (i.e., they reduce the amount of cash that Treasury has to borrow to pay interest on the national debt).

Net revenues generated from the sale of numismatic products are transferred to the Treasury General Fund as an on-budget receipt. Unlike seigniorage, the numismatic transfer amount is available to the Federal government as current operating revenue or it can be used to reduce the annual budget deficit.

BUDGETARY RESOURCES The United States Mint does not receive an appropriation from the Congress. Instead, the United States Mint receives all financing from the public, including the FRB, and receives an apportionment of those funds from OMB. This apportionment is considered a budgetary authority, which allows the United States Mint to spend the funds. The United States Mint's budgetary resources consist of unobligated balances, transfers, and spending authority from offsetting collections, which is net of amounts that are permanently not available. "Permanently not available" funds are on-budget transfers to the General Fund.

HEDGING The United States Mint engages in a hedging program to avoid fluctuation in silver costs as a result of the changes in market prices. The United States Mint purchases silver in large quantities and sells an interest in that silver to a trading partner, while maintaining physical custody and title to the silver. Sales of silver to the trading partner are made at the same spot price that the United States Mint paid to obtain the silver on the open market. The partner's interest in United States Mint silver is reduced as finished silver bullion coins are sold to authorized purchasers (APs). Repurchases of the trading partner's interest in the silver occurs upon sale of coins by the United States Mint. Repurchases are made on the same day as sales, in the same quantity sold, and using the same spot price as was used for the sale to the AP. Each sale to and from the trading partner carries a small transaction fee, the selling and buying fees net to a cost of one half cent per ounce. The United States Mint incurred \$121 thousand in hedging fees in FY 2009, compared to \$90 thousand incurred in FY 2008. Additionally, the United States Mint incurred interest costs of \$509 thousand in FY 2009. Interest costs were not incurred previously because the market was functioning "normally." In FY 2009, the market was in what is referred to as "backwardation," which means that the difference between the future contract price of silver and the current spot price is less than the carrying cost of the silver.

RECLASSIFICATIONS Certain amounts included in the reconciliation of net costs of operations to budget as of September 30, 2008 have been reclassified to conform to the September 30, 2009 presentation.

2. NON-ENTITY ASSETS

Components of Non-entity Assets at September 30 are as follows:

	2009	2008
Custodial Gold Reserves (Deep Storage)	\$ 10,355,539	\$ 10,355,539
Custodial Silver Reserves (Deep Storage)	9,148	9,148
Custodial Gold Reserves (Working Stock)	117,514	117,514
Custodial Silver Reserves (Working Stock)	11,539	11,539
Total Non-entity Assets	<hr/> 10,493,740	<hr/> 10,493,740
Total Entity Assets	1,011,514	1,030,941
Total Assets	\$ 11,505,254	\$ 11,524,681

Entity assets are assets that the reporting entity has authority to use in its operations. United States Mint management has legal authority to use entity assets to meet entity obligations. Treasury-owned gold and silver bullion reserves, for which the United States Mint is custodian, are non-entity assets.

3. FUND BALANCE WITH TREASURY

Fund Balance with Treasury at September 30 consists of the following:

	2009	2008
Revolving Fund	\$ 429,451	\$ 303,386
Other	<u>25</u>	<u>—</u>
Total Fund Balance with Treasury	\$ 429,476	\$ 303,386

Status of Fund Balance with Treasury

Unobligated Balance	\$ 245,683	\$ 50,858
Obligated Balance, Not Yet Disbursed	183,768	252,528
Non-Budgetary FBWT	<u>25</u>	<u>—</u>
Total	\$ 429,476	\$ 303,386

The United States Mint does not receive appropriated budget authority. The Fund Balance with Treasury is entirely available for use to support United States Mint operations. At September 30, 2009 and 2008, the revolving fund balance included \$7.3 million and \$11.3 million, respectively, in restricted amounts for possible payment of surcharges to recipient organizations.

4. ACCOUNTS RECEIVABLE, NET

Components of accounts receivable are as follows:

	September 30, 2009		
	Gross Receivables	Allowance	Net Receivables
Intragovernmental	\$ 6,352	\$ (5,946)	\$ 406
With the Public	8,427	(1,537)	6,890
Total Accounts Receivable	\$ 14,779	\$ (7,483)	\$ 7,296

	September 30, 2008		
	Gross Receivables	Allowance	Net Receivables
Intragovernmental	\$ 6,345	\$ (5,946)	\$ 399
With the Public	24,254	(843)	23,411
Total Accounts Receivable	\$ 30,599	\$ (6,789)	\$ 23,810

At September 30, 2009, there were approximately \$6.4 million in intragovernmental accounts receivable, compared to \$6.3 million at September 30, 2008. This largely represents amounts due to the United States Mint for a joint numismatic product with another Federal entity. Management determined that the collection of \$5.9 million related to the program was in doubt and has included that amount in the Allowance for Doubtful Accounts. Receivables with the public at September 30, 2009, are \$8.4 million, of which \$1.6 million is owed by fabricators for scrap and webbing, in addition to amounts owed by the public for numismatic products. This compares to receivables with the public at September 30, 2008, of \$24.3 million, which consists primarily of amounts owed by metal fabricators for scrap and webbing. The remainder of the accounts receivable represents outstanding balances on numismatic orders. The allowance for doubtful accounts is the balance of the accounts receivable with the public that is past due by 180 days or more. Collection action continues on these accounts, but an allowance is recorded.

5. ADVANCES AND PREPAYMENTS

The components of advances and prepayments at September 30 are as follows:

	2009	2008
Intragovernmental	\$ 2,877	\$ 4,292
With the Public	2	4,656
Total Advances and Prepayments	\$ 2,879	\$ 8,948

Intragovernmental advances and prepayments at September 30, 2009 and 2008, include \$2.1 million and \$2.5 million, respectively, that the United States Mint paid the Treasury Working Capital Fund for a variety of centralized services. The remaining balance of approximately \$700 thousand represents payments made to the United States Postal Service for product delivery services at September 30, 2009, compared to approximately \$1.8 million paid at September 30, 2008.

Advances and Prepayments with the public for FY 2008 consist primarily of advances for freight forwarding. The United States Mint had no advances for freight forwarding outstanding at the end of FY 2009.

6. CUSTODIAL GOLD AND SILVER BULLION RESERVES

As custodian, the United States Mint is responsible for safeguarding much of the Treasury-owned gold and silver bullion reserves, which include deep storage and working stock. The asset and the custodial liability to Treasury are reported on the Balance Sheet at statutory rates. In accordance with 31 U.S.C. § 5117(b) and 31 U.S.C. § 5116(b)(2), statutory rates of \$42.2222 per fine troy ounce (FTO) of gold and no less than \$1.292929292 per FTO of silver are used to value the entire custodial reserves held by the United States Mint. Accordingly, the United States Mint values the silver at \$1.292929292 per FTO.

The market value for gold and silver at September 30 is determined by the London Gold Fixing (PM) rate. Amounts and values of custodial gold and silver in custody of the United States Mint at September 30 are as follows:

	2009	2008
Gold - Deep Storage:		
Inventories (FTO)	245,262,897	245,262,897
Market Value (\$ per FTO)	\$ 995.75	\$ 884.50
Market Value (\$ in thousands)	\$ 244,220,530	\$ 216,935,032
Statutory Value (\$ in thousands)	\$ 10,355,539	\$ 10,355,539
Gold - Working Stock:		
Inventories (FTO)	2,783,219	2,783,219
Market Value (\$ per FTO)	\$ 995.75	\$ 884.50
Market Value (\$ in thousands)	\$ 2,771,390	\$ 2,461,757
Statutory Value (\$ in thousands)	\$ 117,514	\$ 117,514
Silver - Deep Storage:		
Inventories (FTO)	7,075,171	7,075,171
Market Value (\$ per FTO)	\$ 16.45	\$ 12.96
Market Value (\$ in thousands)	\$ 116,387	\$ 91,694
Statutory Value (\$ in thousands)	\$ 9,148	\$ 9,148
Silver - Working Stock:		
Inventories (FTO)	8,924,829	8,924,829
Market Value (\$ per FTO)	\$ 16.45	\$ 12.96
Market Value (\$ in thousands)	\$ 146,813	\$ 115,666
Statutory Value (\$ in thousands)	\$ 11,539	\$ 11,539
Total Market Value of Custodial Gold and Silver Reserves (\$ in thousands)	\$ 247,255,119	\$ 219,604,149
Total Statutory Value of Custodial Gold and Silver Reserves (\$ in thousands)	\$ 10,493,740	\$ 10,493,740

7. INVENTORY AND RELATED PROPERTY

The components of inventories and related property at September 30 are summarized below:

	2009	2008
Raw Materials	\$ 191,320	\$ 313,186
Work-In-Process	68,364	49,481
Inventory held for current sale	95,216	108,290
Total Inventory and Related Property	\$ 354,900	\$ 470,957

Raw materials consist of unprocessed materials and by-products of the manufacturing process and the metal value of unusable inventory such as scrap or condemned coins that will be recycled into a usable raw material. In addition, as of September 30, 2009 and 2008, the raw material inventory includes \$88.0 million and \$32.0 million, respectively, in fair value silver hedge activity of which additional information can be found in note 20. Work-in-process consists of semi-finished materials.

8. PROPERTY, PLANT AND EQUIPMENT, NET

Components of property, plant and equipment are as follows:

	September 30, 2009		
	Asset Cost	Accumulated Depreciation and Amortization	Total Property, Plant and Equipment, Net
Land	\$ 2,529	\$ –	\$ 2,529
Structures, Facilities and Leasehold Improvements	203,374	(132,661)	70,713
Computer Equipment	29,352	(27,703)	1,649
ADP Software	57,099	(55,305)	1,794
Construction-In-Progress	17,125	–	17,125
Machinery and Equipment	265,843	(159,505)	106,338
Total Property, Plant and Equipment, Net	\$ 575,322	\$ (375,174)	\$ 200,148

	September 30, 2008		
	Asset Cost	Accumulated Depreciation and Amortization	Total Property, Plant and Equipment, Net
Land	\$ 2,529	\$ –	\$ 2,529
Structures, Facilities and Leasehold Improvements	192,499	(122,640)	69,859
Computer Equipment	30,990	(28,082)	2,908
Software	57,255	(54,735)	2,520
Construction-In-Progress	26,296	–	26,296
Machinery and Equipment	244,207	(140,685)	103,522
Total Property, Plant and Equipment, Net	\$ 553,776	\$ (346,142)	\$ 207,634

The land and buildings used to manufacture circulating coinage and numismatic products are owned by the United States Mint and located in Philadelphia, Pennsylvania; Denver, Colorado; San Francisco, California and West Point, New York. In addition, the United States Mint owns the land and buildings at the United States Bullion Depository at Fort Knox, Kentucky. Construction-in-process (CIP) represents assets that are underway, such as in the process of being readied for use, or which are being tested for acceptability, but which are not yet being fully utilized by the United States Mint.

Depreciation and amortization expenses charged to operations during the years ended September 30, 2009 and 2008, were \$34.2 million and \$34.3 million, respectively.

9. HERITAGE ASSETS

The United States Mint maintains collections of heritage assets which are any property, plant, or equipment that is retained by the United States Mint for its historic, natural, cultural, educational, or artistic value or significant architectural characteristics. For example, the United States Mint's heritage assets contain, among other things, examples of furniture and equipment used in the United States Mint facilities over the years, as well as examples of the coin manufacturing process, such as plasters, galvanos, dies, punches, and actual finished coins. The coin collections include examples of the various coins produced by the United States Mint over the years, separated into collections of pattern pieces/prototypes, coin specimens, quality samples, and exotic metal coin samples. The building housing the United States Mint in Denver, Colorado, is considered a multi-use heritage asset. The United States Mint generally does not place a value on heritage assets, even though some of the coins and artifacts are priceless. However, the assets are accounted for and controlled for protection and conservation purposes. Heritage assets held by the United States Mint are generally in acceptable physical condition. The following chart represents the new terminology the United States Mint applied to the various collections. The quantity of heritage assets remained the same. The assets were simply reclassified.

Coin Collections	Quantity of Collections Held September 30,	
	2009	2008
Pattern Pieces/Prototypes	1	(new category 2009)
Coin Specimens	1	3
Quality Samples	1	(new category 2009)
Exotic Metal Coin Samples	1	(new category 2009)
Total	4	3

Historical Artifacts	Quantity of Collections Held September 30,	
	2009	2008
Antiques/Artifacts	1	3
Plasters	1	(new category 2009)
Galvanos	1	(new category 2009)
Dies	1	(new category 2009)
Punches	1	(new category 2009)
Historical Documents	1	(new category 2009)
Multi-use heritage asset (United States Mint at Denver, CO)	1	(new category 2009)
Total	7	3

10. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Components of Liabilities Not Covered by Budgetary Resources at September 30 are as follows:

	2009	2008
Custodial Gold Reserves (Deep Storage)	\$ 10,355,539	\$ 10,355,539
Custodial Silver Reserves (Deep Storage)	9,148	9,148
Working Stock Inventory - Gold	117,514	117,514
Working Stock Inventory - Silver	11,539	11,539
Other	25	-
Total Liabilities Not Covered by Budgetary Resources	\$ 10,493,765	\$ 10,493,740
Total Liabilities Covered by Budgetary Resources	106,954	124,567
Total Liabilities	\$ 10,600,719	\$ 10,618,307

Liabilities not covered by budgetary resources represent the United States Mint's custodial liabilities to the Treasury that are entirely offset by Treasury-owned gold and silver bullion reserves held by the United States Mint on behalf of the Federal Government. The new category "Other" represents the refundable security deposit received from the commercial tenant in the headquarters building.

11. RETIREMENT PLANS, OTHER POST-EMPLOYMENT COSTS AND OTHER IMPUTED COSTS

The United States Mint contributes seven percent of basic pay for employees participating in the Civil Service Retirement System (CSRS). Most employees hired after December 31, 1983, are automatically covered by the Federal Employees' Retirement System (FERS) and Social Security. A primary feature of FERS is that it offers a savings plan to which the United States Mint automatically contributes one percent of basic pay and matches employee contributions up to an additional four percent of basic pay. Employees can contribute a specific dollar amount or a percentage of their basic pay as long as the annual dollar total does not exceed the Internal Revenue Code limit of \$16,500 for calendar year 2009. Employees participating in FERS are covered by the Federal Insurance Contribution Act (FICA) for which the United States Mint contributes a matching amount to the Social Security Administration.

Although the United States Mint contributes a portion for pension benefits and makes the necessary payroll deductions, it is not responsible for administering either CSRS or FERS. Administering and reporting on pension benefit programs is the responsibility of the Office of Personnel Management (OPM). OPM has provided the United States Mint with certain cost factors that estimate the cost of providing the pension benefit to current employees. The cost factors of 25.8 percent of basic pay for CSRS-covered employees and 12.3 percent of basic pay for FERS-covered employees were in use for FY 2009. The CSRS factor increased .6 percent over FY 2008, and the FERS factor increased .3 percent over FY 2008.

The amounts that the United States Mint contributed to the retirement plans and social security for the year ended September 30 are as follows:

	2009	2008
Social Security System	\$ 6,866	\$ 7,047
Civil Service Retirement System	1,864	1,674
Federal Employees Retirement System (Retirement and Thrift Savings Plan)	11,593	11,502
Total Retirement Plans and Other Post-employment Cost	\$ 20,323	\$ 20,223

The United States Mint also recognizes its share of the future cost of pension payments and post-retirement health and life insurance benefits for employees while they are still working with an offset classified as imputed financing. OPM continues to report the overall liability of the Federal Government and make direct recipient payments. OPM has provided certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The cost factors relating to health benefits are \$5,756 and \$5,220 per employee enrolled in the Federal Employees Health Benefits Program in FY 2009 and FY 2008, respectively. The cost factor relating to life insurance is two-one hundredths percent (.02%) of basic pay for employees enrolled in the Federal Employees Group Life Insurance Program for both FY 2009 and FY 2008.

The amount of imputed cost related to retirement plans and other post-employment costs incurred by the United States Mint for the year ended September 30 is as follows (before the offset for imputing financing):

	2009	2008
Health Benefits	\$ 8,738	\$ 7,953
Life Insurance	24	23
Pension Expense	3,072	2,655
Total Imputed Retirement and Postemployment Costs	\$ 11,834	\$ 10,631

In addition to the pension and retirement benefits described above, the United States Mint records imputed costs and financing for Treasury Judgment Fund payments made on behalf of the agency. For FY 2009, there were no payments by the Judgment Fund on behalf of the United States Mint which were classified as imputed costs. For FY 2008, entries for Judgment Fund payments totaled \$2.8 million (Other Funds).

12. LEASE COMMITMENTS

THE UNITED STATES MINT AS LESSEE: The United States Mint leases office and warehouse space from commercial vendors, the General Services Administration (GSA), and the Bureau of Engraving and Printing. In addition, the agency leases copier and other office equipment from commercial vendors and vehicles from GSA. With the exception of the commercial leases on two office buildings in Washington, DC, all leases are one-year, or one-year with renewable option years. The two building leases in Washington, DC have terms of 20 and 10 years. Because all of the United States Mint's leases are considered cancelable, there are no minimum lease payments due.

THE UNITED STATES MINT AS LESSOR: The United States Mint sublets office space at cost to several other Federal entities in the two leased buildings in Washington, DC. These sub-leases vary from one year with option years to multiple year terms. As of September 30, 2009, the United States Mint sublet in excess of 209,000 square feet in the two leased buildings. As of September 30, 2009, tenants include the Internal Revenue Service, the Treasury Executive Institute, the Bureau of the Public Debt, U.S. Customs and Border Protection, and the U.S. Marshals Service. All of the subleases are operating leases and subject to annual availability of funding. The United States Mint has also entered into an agreement to sublet space on the first floor of the headquarters building to a commercial tenant. The commercial lease offers substantial discounts in the first two years of the lease term. Years three through nine are at the full rental amount.

Future Projected Receipts	Building Sub-lease
Year 1	\$ 37,800
Year 2	302,400
Year 3	378,000
Year 4	378,000
Year 5	378,000
Years 6-10	<u>1,512,000</u>
Total Future Operating Lease Receipts	\$ 2,986,200

13. CONTINGENCIES

The United States Mint is subject to legal proceedings and claims which arise in the ordinary course of its business. Judgments, if any, resulting from pending litigation against the United States Mint generally would be satisfied from the PEF. Likewise, under the *Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002* (No FEAR Act, P. L. 107-174), settlements and judgments related to acts of discrimination and retaliation for whistleblowing will be paid from the PEF. In the opinion of management, the ultimate resolution of these actions will not materially affect the United States Mint's financial position or the results of its operations.

Asserted and pending legal claims for which loss is reasonably possible were estimated to range from zero to \$0.6 million as of September 30, 2009. In FY 2009, a pending legal claim for \$7 million was settled for \$1.5 million. The \$1.5 million was included as an accounts payable as of September 30, 2009. In management's opinion, the ultimate resolution of these claims will not materially affect the United States Mint's financial position or net cost.

14. EARMARKED FUNDS

Pursuant to 31 U.S.C. § 5136, “all receipts from United States Mint operations and programs, including the production and sale of numismatic items, the production and sale of circulating coinage at face value to the FRB, the protection of government assets, and gifts and bequests of property, real or personal shall be deposited into the PEF and shall be available to fund its operations without fiscal year limitations.” The PEF meets the requirements of an earmarked fund as defined in SFFAS 27, *Identifying and Reporting Earmarked Funds*. As non-entity and non-PEF assets, the Treasury-owned gold and silver bullion reserves are not included in the earmarked funds.

15. INTRAGOVERNMENTAL COSTS AND EARNED REVENUE

Intragovernmental costs and earned revenue reflect transactions in which both the buyer and seller are Federal entities. Revenue with the public reflects transactions for goods or services with a non-Federal entity. The purpose for this classification is to enable the Federal Government to prepare consolidated financial statements. The following table provides earned revenues, gross cost, and net program revenue.

	2009	2008
Numismatic Production and Sales		
Cost:		
Intragovernmental:		
Selling, General and Administrative	\$ 18,599	\$ 16,170
Imputed Costs	2,367	4,916
Total Intragovernmental Costs	<hr/> 20,966	<hr/> 21,086
Public:		
Cost of Goods Sold	1,974,075	1,301,887
Selling, General and Administrative	59,864	75,651
Total Public Cost	<hr/> 2,033,939	<hr/> 1,377,538
Gross Cost	2,054,905	1,398,624
Revenue:		
Intragovernmental:		
Rent Revenues	10,068	9,071
Other Intragovernmental Revenues	146	734
Total Intragovernmental Revenues	<hr/> 10,214	<hr/> 9,805
Public		
2,099,222	1,466,628	
Total Earned Revenue	<hr/> 2,109,436	<hr/> 1,476,433
Net Program Revenue	\$ (54,531)	\$ (77,809)

Numismatic Production and Sales of Circulating Coins

Cost:		
Intragovernmental:		
Selling, General and Administrative	\$ 684	\$ 578
Total Intragovernmental Costs	<hr/> 684	<hr/> 578
Public:		
Cost of Goods Sold	3,258	3,847
Selling, General and Administrative	2,203	2,703
Total Public Cost	<hr/> 5,461	<hr/> 6,550
Gross Cost	6,145	7,128
Revenue:		
Public	6,145	7,128
Total Earned Revenue	<hr/> 6,145	<hr/> 7,128
Net Program Revenue	\$ -	\$ -

	2009	2008
Circulating Production and Sales		
Cost:		
Intragovernmental:		
Selling, General and Administrative	\$ 15,043	\$ 13,510
Imputed Costs	9,466	8,505
Total Intragovernmental Costs	<u>24,509</u>	<u>22,015</u>
Public:		
Cost of Goods Sold	225,556	472,080
Selling, General and Administrative	83,078	83,450
Other Costs and Expenses (Mutilated and Uncurrent)	16,700	10,763
Total Public Cost	<u>325,334</u>	<u>566,293</u>
Gross Cost	349,843	588,308
Revenue:		
Public	349,843	588,308
Total Earned Revenue	<u>349,843</u>	<u>588,308</u>
Net Program Revenue	\$ -	\$ -
Net Revenue Before Protection of Assets	\$ (54,531)	\$ (77,809)
Protection of Assets		
Public:		
Protection Cost	\$ 41,102	\$ 41,000
Net Cost of Protection of Assets	<u>\$ 41,102</u>	<u>\$ 41,000</u>
Net Revenue from Operations	\$ (13,429)	\$ (36,809)

16. EARNED REVENUE AND OTHER FINANCING SOURCE (SEIGNIORAGE)

The Statement of Net Cost reflects the earned revenue and corresponding gross costs for Circulating Production and Sales and for Numismatic Production and Sales of Circulating Coins. Circulating Production and Sales represents coin sales to the FRB and Numismatic Production and Sales of Circulating Coins represents sales of circulating coins to the public (i.e., numismatic customers). SFFAS Number 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, limits the amount of net program revenue from production of circulating coins to the cost of metal, manufacturing, and transportation. OMB Circular A-136 defines the treatment of other financing sources on the Statement of Changes in Net Position, particularly as it relates to the US Standard General Ledger treatment of the account utilized for seigniorage. Therefore, on the Statement of Net Cost, earned revenue is recognized only to the extent of the gross cost of production. The difference between those costs and the face value of the coin is an “Other Financing Source” referred to as seigniorage. Any revenue over face value for circulating coins sold as numismatic items is considered earned revenue and included in the category Numismatic Production and Sales on the Statement of Net Cost.

The following chart reflects the two components of the receipts from the sale of circulating coin – the earned revenue from the Statement of Net Costs and Seigniorage from the Statement of Changes in Net position as of September 30:

	2009	2008
Revenue-FRB	\$ 349,843	\$ 588,308
Seigniorage-FRB	427,768	706,212
Total Circulating Coins	\$ 777,611	\$ 1,294,520
Revenue-with the public	\$ 6,145	\$ 7,128
Seigniorage-with the public	19,300	22,426
Total Numismatic Sales of Circulating Coins	\$ 25,445	\$ 29,554
Total Seigniorage	\$ 447,068	\$ 728,638

17. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

The United States Mint receives apportionments of its resources from OMB. An apportionment is a plan approved by OMB to spend funds as directed by law. All United States Mint obligations are classified as reimbursable, as they are financed by offsetting collections received in return for goods and services provided. OMB usually uses one of two categories to distribute budgetary resources. Category A apportionments distribute budgetary resources by fiscal quarters. Category B apportionments typically distribute budgetary resources by activities, projects, objects, or a combination of these categories. The United States Mint has only category B apportionments.

18. EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE UNITED STATES GOVERNMENT

SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, requires an explanation of material differences between the Statement of Budgetary Resources (SBR) and the related actual balances published in the Budget of the United States Government (President's Budget). The President's Budget for fiscal year 2009 is expected to be published in February 2010 and made available through OMB. Therefore, the analysis presented here is for the prior year (FY 2008) "actual" figures published in the President's budget in February 2009. The following chart displays the comparison of the FY 2008 SBR and the actual FY 2008 balances included in the FY 2010 President's Budget.

	September 30, 2008	
	Statement of Budgetary Resources	President's Budget
United States Mint Public Enterprise Fund		
Total Budgetary Resources	2,141,460	2,141,460
Status of Budgetary Resources:		
Obligations Incurred	2,090,602	2,090,602
Unobligated Balances-available	50,858	50,858
Total Status of Budgetary Resources	<hr/> 2,141,460	<hr/> 2,141,460
Net Outlays	62,655	62,655

19. LEGAL ARRANGEMENTS AFFECTING USE OF UNOBLIGATED BALANCES

The United States Mint PEF establishes that all receipts from United States Mint operations and programs, including the production and sale of numismatic items, the production and sale of circulating coinage, the protection of government assets, and gifts and bequests of property, real or personal, shall be deposited into the United States Mint PEF and shall be available without fiscal year limitations. Any amount that is in excess of the amount required by the United States Mint to cover obligations of the PEF shall be transferred to the Treasury for deposit as miscellaneous receipts. At September 30, 2009 and 2008, the United States Mint transferred excess receipts to the Treasury General Fund of \$475 million and \$750 million, respectively.

20. HEDGING PROGRAM

At September 30, 2009 and 2008, hedging activity of \$88.0 million and \$32.0 million included in inventory represents the value of the silver sold to the trading partner and not yet sold by the United States Mint and, therefore, not repurchased from the trading partner. In FY 2009, the United States Mint recorded an unrealized gain from hedging activity of \$43 thousand, compared with \$932 thousand in FY 2008.

21. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

For The Years Ended September 30,
2009 2008

Resources Used to Finance Activities:

Budgetary Resources Obligated		
Obligations Incurred	\$ 2,282,497	\$ 2,090,602
Less: Spending Authority from Offsetting Collections and Recoveries	<u>2,512,322</u>	<u>2,103,372</u>
Net Obligations	<u>(229,825)</u>	<u>(12,770)</u>
Other Resources		
Transfers to the Treasury General Fund On-Budget	(35,000)	(15,000)
Transfers to the Treasury General Fund Off-Budget	(440,000)	(735,000)
Imputed Financing from Costs Absorbed by Others	11,834	13,421
Other Financing Sources (Seigniorage)	447,068	728,638
Transfers in without reimbursement	830	–
Net Other Resources Used to Finance Activities	<u>(15,268)</u>	<u>(7,941)</u>
Total Resources Used to Finance Activities	<u>(245,093)</u>	<u>(20,711)</u>

Resources Used to Finance Items Not Part of the Net Cost of Operations:

Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but Not Yet Provided	(61,195)	63,435
Resources Fund Expenses Recognized in Prior Periods	(2,287)	–
Resources that Finance the Acquisition of Assets or Liquidation of Liabilities	468,837	601,181
Other	<u>(35,118)</u>	<u>(77,815)</u>
Total Resources Used to Finance Items	<u>370,237</u>	<u>586,801</u>
Total Resources Used to Finance the Net Cost of Operations	<u>(615,330)</u>	<u>(607,512)</u>

Components not Requiring or Generating

Resources in the Current Period		
Depreciation and Amortization	34,226	34,292
Revaluation of Assets	623	7,046
Other	<u>567,052</u>	<u>529,365</u>
Total Components of Net Revenue from Operations that will not Require or Generate Resources	<u>601,901</u>	<u>570,703</u>
Total Components of Net Revenue from Operations that will not Require or Generate Resources in the Current Period	<u>601,901</u>	<u>570,703</u>
Net Revenue from Operations	<u>\$ (13,429)</u>	<u>\$ (36,809)</u>

22. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Budgetary resources obligated for undelivered orders as of September 30, 2009 and 2008 were \$95,487 and \$166,363, respectively.

Required Supplementary Information (Unaudited)

For the Years Ended September 30, 2009 and 2008

INTRODUCTION This section provides the Required Supplemental Information as prescribed by the Office of Management and Budget (OMB) Circular A-136, “Financial Reporting Requirements” And Statement of Federal Financial Accounting Standards (SFFAS) #29 *Heritage Assets and Stewardship Land*.

HERITAGE ASSETS The United States Mint is steward of a large, unique, and diversified body of heritage assets that demonstrate the social, educational, and cultural heritage of the United States Mint. These items include a variety of rare and semi-precious coin collections and historical artifacts, and are held at various United States Mint locations. Some of these items are placed in locked vaults within the United States Mint where access is limited to only special authorized personnel. Other items are on full display to the public requiring little if any authorization to view. Included in the heritage assets is the multi-use heritage asset of the building housing the United States Mint at Denver. The United States Mint generally does not place a value on heritage assets, even though some of the coins and artifacts are priceless. However, the assets are accounted for and controlled for protection and conservation purposes. Heritage assets held by the United States Mint are generally in acceptable physical condition and there is no deferred maintenance on the United States Mint at Denver.



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Internal Control Over Financial Reporting

Inspector General

United States Department of the Treasury

Director

United States Mint:

We have audited the balance sheets of the United States Mint as of September 30, 2009 and 2008 and the related statements of net cost, changes in net position, and combined statements of budgetary resources (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated November 24, 2009.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the United States Mint is responsible for establishing and maintaining effective internal control. In planning and performing our fiscal year 2009 audit, we considered the United States Mint's internal control over financial reporting by obtaining an understanding of the design effectiveness of the United States Mint's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements. To achieve this purpose, we did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to express an opinion on the effectiveness of the United States Mint's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the United States Mint's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

In our fiscal year 2009 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Exhibit I presents the status of prior year significant deficiencies.

We noted certain additional matters that we have reported to management of the United States Mint in a separate letter dated November 24, 2009.

This report is intended solely for the information and use of the United States Mint's management, the Department of the Treasury's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 24, 2009

KPMG LLP, a U.S. limited liability partnership, is the U.S.
member firm of KPMG International, a Swiss cooperative.

Exhibit I

THE UNITED STATES MINT
Status of Prior Year Significant Deficiencies

September 30, 2009

Prior Year Condition	Prior Year Recommendations	Status as of September 30, 2009
<hr/> Improvements Needed Over Inventory Tracking <hr/>		
<i>Inventory</i>	Recommendation #1: Enforce and follow the inventory procedures related to the recording and tracking of inventory movements in the accounting system to ensure the subsidiary ledger agrees to the inventory physically located at the facilities.	Closed
	Recommendation #2: Enforce and follow the inventory procedures, specifically related to properly receiving and classifying inventory between raw materials and work-in-process.	Closed
<hr/> Improvement Needed in Review of Open Obligations <hr/>		
<i>Open Obligations</i>	Recommendation #1: Update the standard operating procedures (SOP) to include a reconciliation of open obligations population to the general ledger.	Closed
	Recommendation #2: Enforce the SOP procedures for de-obligating closed obligations and ensure staff is provided with the updated SOP.	Closed



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Compliance and Other Matters

Inspector General

United States Department of the Treasury

Director

United States Mint:

We have audited the balance sheets of the United States Mint as of September 30, 2009 and 2008, and the related statements of net cost, changes in net position, and combined statements of budgetary resources (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated November 24, 2009.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the United States Mint is responsible for complying with laws, regulations, and contracts applicable to the United States Mint. As part of obtaining reasonable assurance about whether the United States Mint's financial statements are free of material misstatement, we performed tests of the United States Mint's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, including the provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, and contracts applicable to the United States Mint. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests of compliance described in the preceding paragraph of this report, exclusive of those referred to in FFMIA, disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

The results of our tests of FFMIA disclosed no instances in which the United States Mint's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

We noted certain additional matters that we have reported to management of the United States Mint in a separate letter dated November 24, 2009.

This report is intended solely for the information and use of the United States Mint's management, the Department of the Treasury's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 24, 2009

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Appendix I: FY 2009 Coin and Medal Products



2009 ULTRA HIGH RELIEF DOUBLE EAGLE GOLD COIN

Coin Release: January 22, 2009

Design: The 2009 Ultra High Relief Double Eagle Gold Coin is an exquisite synthesis of art and pure 24-karat gold. This one-ounce coin is a triumph in coin design representing the culmination – more than a century in the making – of a partnership between a renowned artist, Augustus Saint-Gaudens, and a visionary leader, President Theodore Roosevelt. The coin is a digitally reproduced version of Saint-Gaudens' original ultra high relief 1907 Double Eagle gold piece, which was never released into circulation. The artist's original design was updated to include four additional stars to represent the current 50 states, the inscription "In God We Trust," which was not on the 1907 version, and 2009 in Roman numerals.



2009 ABRAHAM LINCOLN COMMEMORATIVE SILVER DOLLAR

Coin Release: February 12, 2009

Mintage Limit: 500,000 (across all product options)
Design: Abraham Lincoln, the 16th President of the United States, was one of America's greatest leaders and demonstrated uncommon courage during a critical period in the Nation's history. The year 2009 marks the bicentennial of Lincoln's birth. Public Law 109-285, the "Abraham Lincoln Commemorative Coin Act," requires the Secretary of the Treasury to mint and issue \$1 silver coins in commemoration of this milestone anniversary. The obverse of the 2009 Abraham Lincoln Commemorative Silver Dollar features an image inspired by Daniel Chester French's famous sculpture of the President and denotes his strength and resolve. The coin's reverse features those immortal words Lincoln spoke at Gettysburg – the last 43 of his most famous speech – encircled in a laurel wreath. Under the wreath is a curling banner with Lincoln's signature incused in the center.

2009 LOUIS BRAILLE BICENTENNIAL SILVER DOLLAR

Coin Release: March 26, 2009

Mintage Limit: 400,000 (across all product options)
Design: The 2009 Louis Braille Bicentennial Silver Dollar commemorates the 200th anniversary of the birth of Louis Braille, inventor of the Braille system, which is still used by the blind to read and write. The obverse features a portrait of Louis Braille. The reverse portrays a young child reading a book in Braille. The word "Braille" (abbreviated Brl in Braille code) is depicted in readable Braille in the upper field.



HAWAII

Coin Release: November 3, 2008

Mintage for Circulation: 517,600,000

Design: The reverse of Hawaii's quarter features Hawaiian monarch King Kamehameha I stretching his hand toward the eight major Hawaiian Islands. The coin bears an inscription of the state motto "UA MAU KE EA O KA 'AINA I KA PONO," ("The life of the land is perpetuated in righteousness").



DISTRICT OF COLUMBIA

Coin Release: January 26, 2009

Mintage for Circulation: 172,400,000

Design: The District of Columbia quarter features native son Duke Ellington, the internationally renowned composer and musician, seated at a grand piano with the inscription "Justice for All," the District's motto.



PUERTO RICO

Coin Release: March 30, 2009

Mintage for Circulation: 139,200,000

Design: The Puerto Rico quarter features a sentry box and the Spanish-built walls of San Juan and represents the territory's rich history, geographical location and defensive role. The coin also features a hibiscus flower with the inscription "Isla del Encanto," ("Isle of Enchantment").



GUAM

Coin Release: May 26, 2009

Mintage for Circulation: 87,600,000

Design: The Guam quarter depicts the island's outline; a flying proa, a seagoing craft built by the Chamorro people; and a latte stone, an architectural element used as the base of homes. It also features the inscription "Guahan I Tanó ManChamorro" ("Guam – Land of the Chamorro").



AMERICAN SAMOA

Coin Release: July 27, 2009

Mintage for Circulation: 82,200,00

Design: The American Samoa quarter depicts symbols of the ava ceremony, a significant traditional event in Samoan culture. The design features an ava bowl "tanoa," used to make the special ceremonial drink for island chiefs, and a whisk and staff, symbolizing the rank of the Samoan orator. The coin also features a coconut tree on the shore in the background and an inscription of the territory's motto "Samoa Muamua Le Atua" ("Samoa, God is First").



U.S. VIRGIN ISLANDS

Coin Release: September 28, 2009

Mintage for Circulation: 82,000,000

Design: The U.S. Virgin Islands quarter features an outline of the three major islands; a Tyre Palm Tree; the territory's official bird, the yellow breast or banana quit; and the official flower, the yellow cedar or yellow elder. It also features an inscription of the territory's official motto "United in Pride and Hope."



BIRTH AND EARLY CHILDHOOD IN KENTUCKY

Coin Release: February 12, 2009

Mintage for Circulation: 634,800,000

Design: Lincoln's birth and early childhood (1809-1816) is symbolized on the first 2009 one-cent coin by a log cabin representing his humble beginnings in Kentucky.



FORMATIVE YEARS IN INDIANA

Coin Release: May 14, 2009

Mintage for Circulation: 739,600,000

Design: The second 2009 one-cent coin's reverse design features a young Lincoln reading while taking a break from working as a rail splitter and commemorates his formative years in Indiana (1816-1830).



PROFESSIONAL LIFE IN ILLINOIS

Coin Release: August 13, 2009

Mintage for Circulation: 652,000,000

Design: In honor of President Lincoln's professional life in Illinois (1830-1861), the third 2009 one-cent coin depicts him as a young professional standing in front of the state capitol building in Springfield.



MARTIN VAN BUREN

Coin Release: November 13, 2008

Mintage for Circulation: 102,480,000

Description: Martin Van Buren was the first President to be born an American citizen. As president, Van Buren initiated an independent federal Treasury system to take the place of state banks handling federal monies and peacefully settled disputes with Great Britain that were threatening to take the country to war.



MARTIN VAN BUREN'S LIBERTY

Description: Martin Van Buren's wife, Hannah, died in 1819, 18 years before he became president. The gold coin issued to accompany any president who served without a spouse features a design emblematic of Liberty on its obverse. Van Buren's Liberty coin features the image appeared on the Liberty Seated Dime coin from 1837-1891.



WILLIAM HENRY HARRISON

Coin Release: February 19, 2009

Mintage for Circulation: 98,420,000

Description: The fifth President to hail from Virginia, William Henry Harrison was elected on his famous campaign slogan "Tippecanoe and Tyler Too." In a bracing rainstorm, Harrison gave the longest inaugural speech in United States history. Shortly thereafter, he developed pneumonia. He died exactly one month after his inauguration, becoming the first President to die in office.



ANNA HARRISON FIRST SPOUSE

Description: Although born in relatively prosperity in New Jersey, Anna Harrison lived most of her life as a pioneer in the Ohio and Indiana frontier, following her husband, William Henry Harrison, during his long military and political career. She was the first presidential spouse with a documented formal education and had a lifelong love of learning.



JOHN TYLER

Coin Release: May 21, 2009

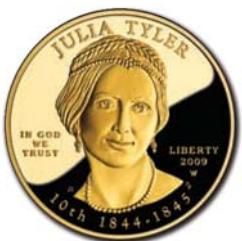
Mintage for Circulation: 87,080,000

Description: John Tyler was the first Vice President to take office upon the death of the sitting President. At the time, the U.S. Constitution was not clear on succession, and his entire presidency was dominated by questions on the scope of his presidential powers, earning him the nickname "His Accidency." As President, he championed the cause of Texas statehood.



LETITIA TYLER FIRST SPOUSE

Description: Although Letitia Tyler was never able to assume the normal social duties of a First Lady because of her poor health, behind the scenes, she directed the entertaining and household management of the White House. She died in September 1842.



JULIA TYLER FIRST SPOUSE

Description: Julia Tyler married widower President John Tyler on June 26, 1844.

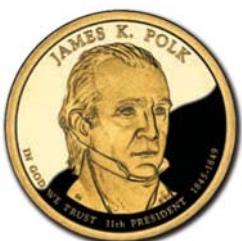
Although she was First Lady for only eight months, she quickly made her mark. Julia Tyler was the first presidential spouse to request that James Sanderson's song "Hail to the Chief" be played specifically to announce the President's arrival on official occasions. The tradition continues to this day.



2009 NATIVE AMERICAN

Coin Release: January 2, 2009

Design: The 2009 Native American \$1 Coin commemorates the Native American contributions to agriculture and features a Native American woman planting seeds in a field of corn, beans and squash.



JAMES K. POLK

Coin Release: August 20, 2009

Mintage for Circulation: 88,340,000

Description: James K. Polk was a strong proponent of "Manifest Destiny," the belief that the United States had the right to expand across the entire continent. He oversaw the growth of the country by more than one million square miles during his time in office, including the annexation of present day Oregon and Washington and the addition of California and New Mexico.



SARAH POLK FIRST SPOUSE

Description: Sarah Polk devoted her married life to husband James K. Polk's political career, organizing his campaigns, writing speeches, handling his correspondence and developing a network of valuable political friendships. As First Lady, Sarah Polk opened the White House twice a week to all visitors for evening receptions and personally greeted those who attended. She also oversaw the refurbishment of the White House, including installation of gas lighting.



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